

HOW LONG CAN VLADIMIR PUTIN HOLD ON?

JULY/AUGUST 2022

# FOREIGN AFFAIRS



## What Is Power?

FOREIGN AFFAIRS JULY/AUGUST 2022 • VOLUME 101 • NUMBER 4 • WHAT IS POWER?

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Volume 101, Number 4



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Archibald Cary Coolidge, Founding Editor  
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Known as “the dean of British strategic studies,” **LAWRENCE FREEDMAN** has written definitive works on a variety of military issues. He served on the committee formally charged with investigating the United Kingdom’s involvement in the 2003 Iraq war and was named by the British government as the official historian of the 1982 Falklands campaign. Freedman is currently emeritus professor of war studies at King’s College London, where he has taught since 1982. In “Why War Fails” (page 10), he explains how a weakness of “command” causes seemingly unstoppable militaries to fail—a dynamic on stark display in Russia’s current war in Ukraine.

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A historian and an expert on a wide array of national security issues, **PHILIP ZELIKOW** has served in positions at all levels of the U.S. government. He served on the National Security Council under President George H. W. Bush, as executive director of the 9/11 Commission, and as counselor of the State Department in the George W. Bush administration. He is currently the White Burkett Miller professor of history at the University of Virginia. In “The Hollow Order” (page 107), he argues that since the end of the Cold War, efforts at building a stable international system have devolved into empty posturing—and that the world order will only be stable once states commit to taking real action.

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Currently the CEO of the Africa Center, a New York–based nonprofit dedicated to engagement with contemporary Africa, **UZODINMA IWEALA** is also a novelist, a filmmaker, and a medical doctor. Shortly after graduating from Harvard University in 2004, he published the novel *Beasts of No Nation*, which was later adapted into an award-winning film. In “Nigeria’s Second Independence” (page 145), he argues that Nigeria must shed its colonial past and craft a homegrown democracy tailored to the country’s diversity.

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**LAUREN BENTON**, the Barton M. Biggs professor of history and professor of law at Yale University, specializes in imperial history and the history of international law. She has won a Guggenheim Fellowship and the Toynbee Prize and has written several books on the European empires. In “Evil Empires?” (page 190), she considers the record of British imperialism and what historians can learn—and fail to learn—from studying the bloody toll of imperial violence.



# WHAT IS POWER?

“War is a dispute about the measurement of power,” the historian Geoffrey

Blainey wrote half a century ago. Earlier this year, Russian President Vladimir Putin took the measure of Russia’s power, and of Ukraine’s, and figured that the disparity promised a quick victory. Much of the rest of the world shared his assessment. The months since have revealed just how faulty these measurements were.

The essays in this issue’s lead package explore what power is and how it functions in the world today. Lawrence Freedman considers Russia’s battlefield setbacks and attributes them to failures that frequently afflict military power—an overestimation of “the raw force of arms,” a neglect of “command,” and “the familiar but catastrophic mistake of underestimating the enemy.” Ngaire Woods sees Putin’s delusions as just an extreme example of the “blind spots” of a broader range of leaders “enamored of their own might.”

In a time of sharpening geopolitical tensions, Daniel Drezner highlights a worrying dynamic in how the key antagonists view the trajectory of their power: all are pessimistic, which induces “risky actions in the present to forestall further decline, which can lead to arms races and brinkmanship during crises.” Maria Repnikova describes the distinct visions of “soft power” that the United

States and China have brought to their competition and the threats that both visions face.

The final three essays attempt to identify the underlying drivers of international power. Michael Mazarr surveys the rise and fall of powers across history and identifies the seven sources of national dynamism that explain far more than foreign policy strategies. Barry Eichengreen assesses the state of U.S. economic influence, which remains strong but faces risks in the years ahead. And Amitav Acharya focuses on what he calls “power within”—the underappreciated strength and influence that a country gains abroad from tackling exclusion and hierarchy at home.

As these authors grapple with the nature and balance of power today, the stakes are more than academic. For as Blainey pointed out, if war results from errors in calculation, peace “marks a rough agreement about measurement.”

—Daniel Kurtz-Phelan, *Editor*

*Vladimir Putin took the measure of Russia's power, and of Ukraine's, and figured that the disparity promised a quick victory.*




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**Why War Fails**

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# Why War Fails

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## Russia's Invasion of Ukraine and the Limits of Military Power

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*Lawrence Freedman*

**O**n February 27, a few days after Russia invaded Ukraine, Russian forces launched an operation to seize the Chornobaivka airfield near Kherson on the Black Sea coast. Kherson was the first Ukrainian city the Russians managed to occupy, and since it was also close to Russia's Crimean stronghold, the airfield would be important for the next stage of the offensive. But things did not go according to plan. The same day the Russians took over the airfield, Ukrainian forces began counterattacking with armed drones and soon struck the helicopters that were flying in supplies from Crimea. In early March, according to Ukrainian defense sources, Ukrainian soldiers made a devastating night raid on the airstrip, destroying a fleet of 30 Russian military helicopters. About a week later, Ukrainian forces destroyed another seven. By May 2, Ukraine had made 18 separate attacks on the airfield, which, according to Kyiv, had eliminated not only dozens of helicopters but also ammunition depots, two Russian generals, and nearly an entire

Russian battalion. Yet throughout these attacks, Russian forces continued to move in equipment and materiel with helicopters. Lacking both a coherent strategy for defending the airstrip and a viable alternative base, the Russians simply stuck to their original orders, with disastrous results.

Ukrainian President Volodymyr Zelensky has described the Chornobaivka battle as a symbol of the incompetence of Russia's commanders, who were driving "their people to slaughter." In fact, there were numerous similar examples from the first weeks of the invasion. Although Ukrainian forces were consistently outgunned, they used their initiative to great advantage, as Russian forces repeated the same mistakes and failed to change their tactics. From the start, the war has provided a remarkable contrast in approaches to command. And these contrasts may go a long way toward explaining why the Russian military has so underperformed expectations.

In the weeks leading up to the February 24 invasion, Western leaders and analysts and the international press were naturally fixated on the overwhelming forces that Russian President Vladimir Putin was amassing on Ukraine's borders. As many as 190,000 Russian troops were poised to invade the country. Organized into as many as 120 battalion tactical groups, each had armor and artillery and was backed by superior air support. Few imagined that Ukrainian forces could hold out for very long against the Russian steamroller. The main question about the Russian plans was whether they included sufficient forces to occupy such a large country after the battle was won. But

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the estimates had failed to account for the many elements that factor into a true measure of military capabilities.

Military power is not only about a nation's armaments and the skill with which they are used. It must take into account the resources of the enemy, as well as the contributions from allies and friends, whether in the form of practical assistance or direct interventions. And although military strength is often measured in firepower, by counting inventories of arms and the size of armies, navies, and air forces, much depends on the quality of the equipment, how well it has been maintained, and on the training and motivation of the personnel using it. In any war, the ability of an economy to sustain the war effort, and the resilience of the logistical systems to ensure that supplies reach the front lines as needed, is of increasing importance as the conflict wears on. So is the degree to which a belligerent can mobilize and maintain support for its own cause, both domestically and externally, and undermine that of the enemy, tasks that require constructing compelling narratives that can rationalize setbacks as well as anticipate victories. Above all, however, military power depends on effective command. And that includes both a country's political leaders, who act as supreme commanders, and those seeking to achieve their military goals as operational commanders.

Putin's invasion of Ukraine has underscored the crucial role of command in determining ultimate military success. The raw force of arms can only do so much for a state. As Western leaders discovered in Afghanistan and Iran, superior military hardware and fire-

power may enable forces to gain control of territory, but they are far less effective in the successful administration of that territory. In Ukraine, Putin has struggled even to gain control of territory, and the way that his forces have waged war has already ensured that any attempt to govern, even in Ukraine's supposedly pro-Russian east, will be met by animosity and resistance. For in launching the invasion, Putin made the familiar but catastrophic mistake of underestimating the enemy, assuming it to be weak at its core, while having excessive confidence in what his own forces could achieve.

### **THE FATE OF NATIONS**

Commands are authoritative orders, to be obeyed without question. Military organizations require strong chains of command because they commit disciplined and purposeful violence. At times of war, commanders face the special challenge of persuading subordinates to act against their own survival instincts and overcome the normal inhibitions about murdering their fellow humans. The stakes can be extremely high. Commanders may have the fate of their countries in their hands and must be deeply aware of the potential for national humiliation should they fail as well as for national glory if they succeed.

Military command is often described as a form of leadership, and as outlined in treatises on command, the qualities sought in military leaders are often those that would be admirable in almost any setting: deep professional knowledge, the ability to use resources efficiently, good communication skills, the ability to get on with others, a sense of moral purpose and responsibility, and

a willingness to care for subordinates. But the high stakes of war and the stresses of combat impose their own demands. Here, the relevant qualities include an instinct for maintaining the initiative, an aptitude for seeing complex situations clearly, a capacity for building trust, and the ability to respond nimbly to changing or unexpected conditions. The historian Barbara Tuchman identified the need for a combination of resolution—"the determination to win through"—and judgment, or the capacity to use one's experience to read situations. A commander who combines resolve with keen strategic intelligence can achieve impressive results, but resolve combined with stupidity can lead to ruin.

Not all subordinates will automatically follow commands. Sometimes orders are inappropriate, perhaps because they are based on dated and incomplete intelligence and may therefore be ignored by even the most diligent field officer. In other cases, their implementation might be possible but unwise, perhaps because there is a better way to achieve the same objectives. Faced with orders they dislike or distrust, subordinates can seek alternatives to outright disobedience. They can procrastinate, follow orders half-heartedly, or interpret them in a way that fits better with the situation that confronts them.

To avoid these tensions, however, the modern command philosophy followed in the West has increasingly sought to encourage subordinates to take the initiative to deal with the circumstances at hand; commanders trust those close to the action to make the vital decisions yet are ready to step in if events go awry. This is the approach Ukrainian forces

have adopted. Russia's command philosophy is more hierarchical. In principle, Russian doctrine allows for local initiative, but the command structures in place do not encourage subordinates to risk disobeying their orders. Inflexible command systems can lead to excessive caution, a fixation on certain tactics even when they are inappropriate, and a lack of "ground truth," as subordinates dare not report problems and instead insist that all is well.

Russia's problems with command in Ukraine are less a consequence of military philosophy than of current political leadership. In autocratic systems such as Russia's, officials and officers must think twice before challenging superiors. Life is easiest when they act on the leader's wishes without question. Dictators can certainly make bold decisions on war, but these are far more likely to be based on their own ill-informed assumptions and are unlikely to have been challenged in a careful decision-making process. Dictators tend to surround themselves with like-minded advisers and to prize loyalty above competence in their senior military commanders.

#### **FROM SUCCESS TO STALEMATE**

Putin's readiness to trust his own judgment in Ukraine reflected the fact that his past decisions on the use of force had worked out well for him. The state of the Russian military in the 1990s before he took power was dire, as shown by Russian President Boris Yeltsin's 1994–96 war in Chechnya. At the end of 1994, Russian Defense Minister Pavel Grachev reassured Yeltsin that he could end Chechnya's effort to secede from the Russian



Federation by moving Russian forces quickly into Grozny, the Chechen capital. The Kremlin viewed Chechnya as an artificial, gangster-infested state for which few of its citizens could be expected to sacrifice their lives, especially when confronted with the full blast of Russian military power—misguided assumptions somewhat similar to those made on a much larger scale in the current invasion of Ukraine. The Russian units included many conscripts with little training, and the Kremlin failed to appreciate how much the Chechen defenders would be able to take advantage of the urban terrain. The results were disastrous. On the first day of the attack, the Russian army lost over 100 armored vehicles, including tanks; Russian soldiers were soon being killed at the rate of 100 a day. In his memoirs, Yeltsin described the war as the moment when Russia “parted with one more exceptionally dubious but fond illusion—about the might of our army . . . about its indomitability.”

The first Chechen war concluded unsatisfactorily in 1996. A few years later, Vladimir Putin, who became the ailing Yeltsin’s prime minister in September 1999, decided to fight the war again, but this time he made sure that Russia was prepared. Putin had previously been head of the Federal Security Service, or FSB, the successor to the KGB, where he began his career. When apartment buildings in Moscow and elsewhere were bombed in September 1999, Putin blamed Chechen terrorists (although there was good reason to suspect the FSB was seeking to create a pretext for a new war) and ordered Russian troops to gain control of Chechnya by “all available means.”

In this second Chechen war, Russia proceeded with more deliberation and ruthlessness until it succeeded in occupying Grozny. Although the war dragged on for some time, Putin’s visible commitment to ending the Chechen rebellion was sufficient to provide him with a decisive victory in the spring 2000 presidential election. As Putin was campaigning, journalists asked him which political leaders he found “most interesting.” After citing Napoleon—which the reporters took as a joke—he offered Charles de Gaulle, a natural choice perhaps for someone who wanted to restore the effectiveness of the state with a strong centralized authority.

By 2013, Putin had gone some way toward achieving that end. High commodity prices had given him a strong economy. He had also marginalized his political opposition at home, consolidating his power. Yet Russia’s relations with the West had worsened, particularly concerning Ukraine. Ever since the Orange Revolution of 2004–5, Putin had worried that a pro-Western government in Kyiv might seek to join NATO, a fear aggravated when the issue was broached at NATO’s 2008 Bucharest summit. The crisis, however, came in 2013, when Victor Yanukovich, Ukraine’s pro-Russian president, was about to sign an association agreement with the EU. Putin put intense pressure on Yanukovich until he agreed not to sign. But Yanukovich’s reversal led to exactly what Putin had feared, a popular uprising—the Maidan movement—that ultimately brought down Yanukovich and left Ukraine completely in the hands of pro-Western leaders. At this point, Putin resolved to annex Crimea.

In launching his plan, Putin had the advantages of a Russian naval base at Sevastopol and considerable support for Russia among the local population. Yet he still proceeded carefully. His strategy, which he has followed since, was to present any aggressive Russian move as no more than a response to pleas from people who needed protection. Deploying troops with standard uniforms and equipment but no markings, who came to be known as the “little green men,” the Kremlin successfully convinced the local parliament to call a referendum on incorporating Crimea into Russia. As these events unfolded, Putin was prepared to hold back should Ukraine or its Western allies put up a serious challenge. But Ukraine was in disarray—it had only an acting minister of defense and no decision-making authority in a position to respond—and the West took no action against Russia beyond limited sanctions. For Putin, the taking of Crimea, with hardly any casualties, and with the West largely standing on the sidelines, confirmed his status as a shrewd supreme commander.

But Putin was not content to walk away with this clear prize; instead, that spring and summer, he allowed Russia to be drawn into a far more intractable conflict in the Donbas region of eastern Ukraine. Here, he could not follow the formula that had worked so well in Crimea: pro-Russian sentiment in the east was too feeble to imply widespread popular support for secession. Very quickly, the conflict became militarized, with Moscow claiming that separatist militias were acting independently of Russia. Nonetheless, by summer, when it looked like the separatists in Donetsk and Luhansk, the two pro-Russian

enclaves in the Donbas, might be defeated by the Ukrainian army, the Kremlin sent in regular Russian forces. Although the Russians then had no trouble against the Ukrainian army, Putin was still cautious. He did not annex the enclaves, as the separatists wanted, but instead took the opportunity to get a deal in Minsk, intending to use the enclaves to influence Kyiv’s policies.


To some Western observers, Russia’s war in the Donbas looked like a potent new strategy of hybrid warfare. As analysts described it, Russia was able to put its adversaries on the back foot by bringing together regular and irregular forces and overt and covert activities and by combining established forms of military action with cyberattacks and information warfare. But this assessment overstated the coherence of the Russian approach. In practice, the Russians had set in motion events with unpredictable consequences, led by individuals they struggled to control, for objectives they did not wholly share. The Minsk agreement was never implemented, and the fighting never stopped. At most, Putin had made the best of a bad job, containing the conflict and, while disrupting Ukraine, deterring the West from getting too involved. Unlike in Crimea, Putin had shown an uncertain touch as a commander, with the Donbas enclaves left in limbo, belonging to no country, and Ukraine continuing to move closer to the West.

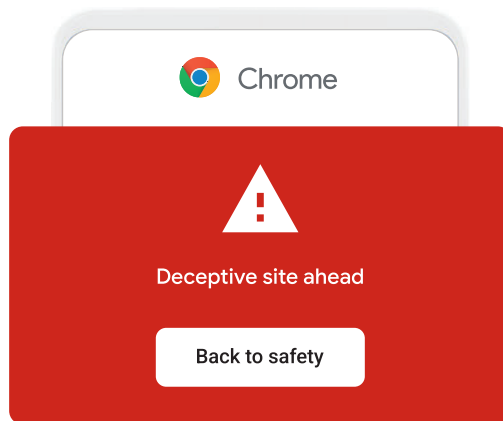
#### **UNDERWHELMING FORCE**

By the summer of 2021, the Donbas war had been at a stalemate for more than seven years, and Putin decided on a bold plan to bring matters to a head. Having failed to use the enclaves to influence



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Kyiv, he sought to use their plight to make the case for regime change in Kyiv, ensuring that it would reenter Moscow's sphere of influence and never again contemplate joining either NATO or the EU. Thus, he would undertake a full-scale invasion of Ukraine.

Such an approach would require a huge commitment of armed forces and an audacious campaign. But Putin's confidence had been boosted by Russia's recent military intervention in Syria, which successfully propped up the regime of Bashar al-Assad, and by recent efforts to modernize Russia's armed forces. Western analysts had largely accepted Russian claims about the country's growing military strength, including new systems and armaments, such as "hypersonic weapons," that at least sounded impressive. Moreover, healthy Russian financial reserves would limit the effect of any punitive sanctions. And the West appeared divided and unsettled after Donald Trump's presidency, an impression that was confirmed by the botched U.S. withdrawal from Afghanistan in August 2021.

When Putin launched what he called the "special military operation" in Ukraine, many in the West feared that it might succeed. Western observers had watched Russia's massive buildup of forces on the Ukrainian border for months, and when the invasion began, the minds of U.S. and European strategists raced ahead to the implications of a Russian victory that threatened to incorporate Ukraine into a revitalized Greater Russia. Although some NATO countries, such as the United States and the United Kingdom, had rushed military supplies to Ukraine, others, following this

pessimism, were more reluctant. Additional equipment, they concluded, was likely to arrive too late or even be captured by the Russians.

Less noted was that the Russian troop buildup—notwithstanding its formidable scale—was far from sufficient to take and hold all of Ukraine. Even many in or connected to the Russian military could see the risks. In early February 2022, Igor "Strelkov" Girkin, one of the original Russian separatist leaders in the 2014 campaign, observed that Ukraine's military was better prepared than it had been eight years earlier and that "there aren't nearly enough troops mobilized, or being mobilized." Yet Putin did not consult experts on Ukraine, relying instead on his closest advisers—old comrades from the Russian security apparatus—who echoed his dismissive view that Ukraine could be easily taken.

As soon as the invasion got underway, the central weaknesses in the Russian campaign became apparent. The plan was for a short war, with decisive advances in several different parts of the country on the first day. But Putin and his advisers' optimism meant that the plan was shaped largely around rapid operations by elite combat units. Little consideration was given to logistics and supply lines, which limited Russia's ability to sustain the offensive once it stalled, and all the essentials of modern warfare, including food, fuel, and ammunition, began to be rapidly consumed. In effect, the number of axes of advance created a number of separate wars being fought at once, all presenting their own challenges, each with their own command structures and without an appropriate mechanism to

coordinate their efforts and allocate resources among them.

The first sign that things were not going according to Putin's plan was what happened at the Hostomel airport, near Kyiv. Told that they would meet little resistance, the elite paratroopers who had been sent to hold the airport for incoming transport aircraft were instead repelled by a Ukrainian counterattack. Eventually, the Russians succeeded in taking the airport, but by then, it was too damaged to be of any value. Elsewhere, apparently formidable Russian tank units were stopped by far more lightly armed Ukrainian defenders. According to one account, a huge column of Russian tanks that was destined for Kyiv was initially stopped by a group of just 30 Ukrainian soldiers, who approached it at night on quad bikes and succeeded in destroying a few vehicles at the head of the column, leaving the rest stuck on a narrow roadway and open to further attack. The Ukrainians successfully repeated such ambushes in many other areas.

Ukrainian forces, with Western assistance, had undertaken energetic reforms and planned their defenses carefully. They were also highly motivated, unlike many of their Russian counterparts, who were unsure why they were there. Agile Ukrainian units, drawing first on antitank weapons and drones and then on artillery, caught Russian forces by surprise. In the end, then, the early course of the war was determined not by greater numbers and firepower but by superior tactics, commitment, and command.

### **COMPOUNDING ERRORS**

From the outset of the invasion, the contrast between the Russian and

Ukrainian approaches to command was stark. Putin's original strategic error was to assume that Ukraine was both hostile enough to engage in anti-Russian activities and incapable of resisting Russian might. As the invasion stalled, Putin appeared unable to adapt to the new reality, insisting that the campaign was on schedule and proceeding according to plan. Prevented from mentioning the high numbers of Russian casualties and numerous battlefield setbacks, the Russian media have relentlessly reinforced government propaganda about the war. By contrast, Ukrainian President Volodymyr Zelensky, the initial target of the Russian operation, refused offers from the United States and other Western powers to be taken to safety to form a government in exile. He not only survived but stayed in Kyiv, visible and voluble, rallying his people and pressing Western governments for more support, financial and military. By demonstrating the overwhelming commitment of the Ukrainian people to defend their country, he encouraged the West to impose far more severe sanctions on Russia than it might otherwise have done, as well as to get supplies of weapons and war materiel to Ukraine. While Putin stubbornly repeated himself as his "special military operation" faltered, Zelensky grew in confidence and political stature.

Putin's baleful influence also hung over other key strategic decisions by Russia. The first, following the initial setbacks, was the Russian military's decision to adopt the brutal tactics it had used in Chechnya and Syria: targeting civilian infrastructure,

including hospitals and residential buildings. These attacks caused immense suffering and hardship and, as could have been predicted, only strengthened Ukrainian resolve. The tactics were also counterproductive in another sense. Combined with the revelations about possible war crimes by Russian troops in areas around Kyiv, such as Bucha, Russia's attacks on nonmilitary targets convinced leaders in Washington and other Western capitals that it was pointless to try to broker a compromise settlement with Putin. Instead, Western governments accelerated the flow of weapons to Ukraine, with a growing emphasis on offensive as well as defensive systems. This was not the war between Russia and NATO claimed by Moscow propagandists, but it was rapidly becoming the next closest thing.

A second key strategic decision came on March 25, when Russia abandoned its maximalist goal of taking Kyiv and announced that it was concentrating instead on the "complete liberation" of the Donbas region. This new objective, although it promised to bring greater misery to the east, was more realistic, and it would have been yet more so if it had been the initial aim of the invasion. The Kremlin also now appointed an overall Russian commander to lead the war, a general whose approach would be more methodical and employ additional artillery to prepare the ground before armor and infantry moved forward. But the effect of these shifts was limited because Putin needed quick results and didn't give the Russian forces time to recover and prepare for this second round of the war.

The momentum had already swung from Russia to Ukraine, and it could not be turned around quickly enough to meet Putin's timetable. Some analysts speculated that Putin wanted something that he could call a victory on May 9, the Russian holiday marking the end of the Great Patriotic War, Russia's victory over Nazi Germany. As likely, though, was his and his senior military commanders' desire to make territorial gains in the east before Ukraine could absorb new weapons from the United States and Europe. As a result, Russian commanders sent units that had just been withdrawn from the north back into combat in the east; there was no time to replenish the troops or remedy the failings exhibited in the first phase of the war.

In the new offensive, which began in earnest in mid-April, Russian forces made few gains, while Ukrainian counterattacks nibbled away at their positions. To add to the embarrassment, Russia's Black Sea flagship, the *Moskva*, was sunk in an audacious Ukrainian attack. By May 9, there was not a lot to celebrate in Moscow. Even the coastal city of Mariupol, which Russia had attacked mercilessly since the start of the war and battered into rubble, was not fully captured until a week later. By that time, Western estimates were suggesting that a third of the initial Russian combat force, both personnel and equipment, had been lost. Rumors had circulated that Putin would use the holiday to announce a general mobilization to meet the army's need for manpower, but no such announcement was made. For one thing, such a move would have been deeply unpopular in Russia. But

it would also have taken time to get conscripts and reservists to the front, and Russia would still face chronic equipment shortages.

After an unbroken string of poor command decisions, Putin was running out of options. As the offensive in Ukraine completed its third month, many observers began to note that Russia had become stuck in an unwinnable war that it dared not lose. Western governments and senior NATO officials began to talk of a conflict that could continue for months, and possibly years, to come. That would depend on the ability of the Russian commanders to keep a fight going with depleted forces of low morale and also on the ability of Ukraine to move from a defensive strategy to an offensive one. Perhaps Russia's military could still salvage something out of the situation. Or perhaps Putin would see at some point that it might be prudent to call for a cease-fire so he could cash in the gains made early in the war before a Ukrainian counteroffensive took them away, even though that would mean admitting failure.

### **POWER WITHOUT PURPOSE**

One must be careful when drawing large lessons from wars with their own special features, particularly from a war whose full consequences are not yet known. Analysts and military planners are certain to study the war in Ukraine for many years as an example of the limits to military power, looking for explanations as to why one of the strongest and largest armed forces in the world, with a formidable air force and navy and new equipment and with recent and suc-

cessful combat experience, faltered so badly. Before the invasion, when Russia's military was compared with Ukraine's smaller and lesser-armed defense forces, few doubted which side would gain the upper hand. But actual war is determined by qualitative and human factors, and it was the Ukrainians who had sharper tactics, brought together by command structures, from the highest political level to the lowlier field commanders, that were fit for the purpose.

Putin's war in Ukraine, then, is foremost a case study in a failure of supreme command. The way that objectives are set and wars launched by the commander in chief shapes what follows. Putin's mistakes were not unique; they were typical of those made by autocratic leaders who come to believe their own propaganda. He did not test his optimistic assumptions about the ease with which he could achieve victory. He trusted his armed forces to deliver. He did not realize that Ukraine was a challenge on a completely different scale from earlier operations in Chechnya, Georgia, and Syria. But he also relied on a rigid and hierarchical command structure that was unable to absorb and adapt to information from the ground and, crucially, did not enable Russian units to respond rapidly to changing circumstances.

The value of delegated authority and local initiative will be one of the other key lessons from this war. But for these practices to be effective, the military in question must be able to satisfy four conditions. First, there must be mutual trust between those at the senior and most junior levels. Those at the highest level of command

must have confidence that their subordinates have the intelligence and ability to do the right thing in demanding circumstances, while their subordinates must have confidence that the high command will provide what backing they can. Second, those doing the fighting must have access to the equipment and supplies they need to keep going. It helped the Ukrainians that they were using portable antitank and air-defense weapons and were fighting close to their home bases, but they still needed their logistical systems to work.

Third, those providing leadership at the most junior levels of command need to be of high quality. Under Western guidance, the Ukrainian army had been developing the sort of noncommissioned officer corps that can ensure that the basic demands of an army on the move will be met, from equipment maintenance to actual preparedness to fight. In practice, even more relevant was that many of those who returned to the ranks when Ukraine mobilized were experienced veterans and had a natural understanding of what needed to be done.

But this leads to the fourth condition. The ability to act effectively at any level of command requires a commitment to the mission and an understanding of its political purpose. These elements were lacking on the Russian side because of the way Putin launched his war: the enemy the Russian forces had been led to expect was not the one they faced, and the Ukrainian population was not, contrary to what they had been told, inclined to be liberated. The more futile the fight, the lower the morale

and the weaker the discipline of those fighting. In these circumstances, local initiative can simply lead to desertion or looting. By contrast, the Ukrainians were defending their territory against an enemy intent on destroying their land. There was an asymmetry of motivation that influenced the fighting from the start. Which takes us back to the folly of Putin's original decision. It is hard to command forces to act in support of a delusion. 🌐



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# What the Mighty Miss

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## The Blind Spots of Power

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*Ngairé Woods*

**F**or two decades, Russian President Vladimir Putin has been both admired and feared as a shrewd strategist, a strongman who has cemented his rule at home and doggedly advanced Russian interests abroad. Whether suppressing domestic opposition or annexing Crimea, Putin has appeared as an uncompromising and implacable leader. The Western media may vilify him as a thuggish autocrat, but numerous Western politicians have also admitted their respect for Putin's ability to command.

His invasion of Ukraine in February, however, has gone some way toward undoing this reputation. Putin assumed that he would win a quick victory, but his forces have stumbled badly. The war has had terrible repercussions for Russia, devastating its economy and its standing in the world. The war has also galvanized an anti-Russian coalition while winning little support of any significance for the Kremlin. Putin has turned Russia into a pariah state without achieving any of the goals of his invasion.

Why would such a powerful leader make such a major blunder? The

answer lies in the very nature of power itself. Leaders in positions of tremendous authority often wear blinders that can cause them to make profound mistakes. Power can mislead insofar as it prevents the powerful from taking full stock of the consequences of their actions.

Putin's assault on Ukraine has demonstrated many of the pitfalls of power. The powerful often imagine themselves to be above the rules, and Putin has sought to exempt himself from international law, even as he has deployed legal language to justify his actions. But in flouting international law, Putin has eroded Russian security. Leaders often think they are stronger than they really are; in Putin's case, he misjudged the true fighting prowess of his military, plunging his country into a war of attrition that some Russian planners had assured him would be a cakewalk. That failure may stem in part from another pitfall of the powerful: an unwillingness to seek counsel and countenance criticism. Putin did not consult across his own government or with Russia's neighbors and partners in planning for the war and its aftermath, and the repercussions of that mistake have hit Russia hard.

Putin's mistakes are not unique to him, nor are they simply the results of the bad habits of dictators. Leaders of all powerful states, including major democracies, have also been blinded by power and made ill-advised decisions. Putin's struggles in Ukraine should remind all policymakers of the perils of power and how governments are liable to make terrible errors when they are enamored of their own might.

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### ABOVE THE LAW

Power often convinces its wielders that they are exceptional, that the rules don't apply to them. Putin's invasion of Ukraine in February breached the code enshrined in the UN Charter that prohibits any use of force against the territorial integrity or political independence of another state. The Russian president has variously insisted that the incursion was a preemptive strike against a Ukrainian attack, a sacred defense of the Russian motherland, and a continuation of the Soviet fight against Nazism. These justifications ring hollow, of course. Putin's claims that he is responding to ostensible attacks by Ukrainian forces in the self-proclaimed republics of Donetsk and Luhansk, at border crossings, and on Russian territory are not persuasive to anybody outside Russia. Still more spurious and self-serving are his assertions that Ukraine is committing genocide in Donbas and that its government is stuffed with neo-Nazis.

Such delusional—or cynical—arguments to justify violating international law are not just the preserve of autocrats. It is tempting to believe that democracies have built-in protections that stop policymakers from committing flagrant breaches of the most foundational international legal norms. But this is not the case. In 2003, U.S. and British forces invaded Iraq. U.S. President George W. Bush and British Prime Minister Tony Blair sought to legitimize the invasion by invoking international law, pointing to a 1990 UN Security Council resolution that authorized the use of force against Iraq after it invaded Kuwait and arguing that Iraq's failure to comply with weapons inspections was a

“material breach” of the cease-fire agreed to over a decade earlier. Therefore, they asserted, the United States and the United Kingdom had the right to suspend the cease-fire and to continue hostilities against Iraq under the original 1990 UN Security Council resolution. The United States also asserted the right of preemptive self-defense in its strike against Iraq. Peter Goldsmith, the British attorney general at the time, disavowed these claims as a basis for war, but the British position, as expressed by a later attorney general, Jeremy Wright, in 2017, moved closer to the American one. International lawyers remained skeptical that these justifications amounted to much more than window-dressing, a view echoed in 2016 by the findings of the Chilcot Inquiry, the British government's investigation of the country's role in the war.

The Iraq war represents a conundrum. The United States and the United Kingdom, two countries that had done so much to set up the rules-based international order, flouted its rules and undermined that order. Why? Psychology offers one answer. The powerful often break the very rules they have made and from which they benefit because they think they can. Psychologists have found that wealthy people are more likely to lie and cheat when gambling or negotiating, to cut people off when driving, and to endorse unethical behavior in the workplace. It is not that the rich oppose the existence of rules: rules safeguard their property, enable gambling, and make driving less dangerous for them. In fact, the rules are probably more advantageous to them than to others, since they have more property to protect, more leisure pur-

suits to enjoy, and a greater interest in preserving the status quo. But wealthy people's status can lead them to believe that their own needs and desires are more important than any rules, so much so that they absolve themselves from complying with the rules altogether.

A similar phenomenon exists in international relations. The leaders of powerful states who are the creators, enforcers, and beneficiaries of rules are often tempted to break them. Of course, international rules take many forms, from trade agreements to demarcations of fishing rights. And not all rules are equal. International lawyers debate with great sophistication why states obey international law; utilitarians point to the influential role of direct interests, Kantians to the weight of shared moral and ethical obligations, and the disciples of the English philosopher Jeremy Bentham to the incentives created by the collective process of building international law. Realists, from the Renaissance-era Italian writer Niccolò Machiavelli to Cold War-era U.S. policymakers such as George Kennan and Henry Kissinger, insist that certain rules can and should be broken when it is in a state's interest to do so. But some rules command a particular legitimacy and force that make their breach more costly than the violation of other ones. The UN Charter is such a rule, emanating from an instrument of international law ratified by 193 countries that codifies the most basic principles of international relations.

This legal order anoints the powerful by giving them special responsibilities for upholding it. Enforcement of the UN Charter lies in the hands of the UN Security Council and, more specifically,

its five permanent members—China, France, Russia, the United Kingdom, and the United States—whose unanimous consent is required for any enforcement action. Whereas weaker states that breach the UN Charter might be punished by the Security Council, the permanent members can veto any Security Council enforcement action against themselves. Effectively, they can act with impunity, or so they might believe.

Great powers still pay costs for breaking these laws, even if they think they are shielded from repercussions. The most obvious cost of falling afoul of the UN Charter is that it signals to other countries that the violator cannot be trusted to abide by core international law. The fear could spread that other states will do the same, weakening the resolve of all countries to comply with the rules. The UN Charter constructs an international society to which states belong and in which they can forge some baseline expectations about the behavior of others. If the most powerful break the very rules they have created, they end up undermining and fundamentally threatening the existence of that social order.

Consider the rival neighbors Argentina and Brazil, each of which has nuclear capabilities it could weaponize. If one acquired or developed nuclear weapons, the other would likely follow suit. Instead, they rely on nonproliferation rules and carefully monitor each other's compliance through the Brazilian-Argentine Agency for Accounting and Control of Nuclear Materials. If Brazilian President Jair Bolsonaro espoused his son's declared support for nuclear weapons, it would change Argentina's calculation, weakening the restraints on

behavior that the rules encourage. Violating such laws introduces an insidious kind of chaos into international relations. This is why the Chilcot Inquiry found that U.S. and British actions in 2003 dangerously undermined the authority of the United Nations.

Putin's rule-breaking during his invasion of Ukraine has already rebounded against him, hurting Russia. He had long accused the United States of threatening Russian security by advancing NATO's expansion toward Russia's borders. But until May, only five of the 14 countries bordering Russia were members of NATO. Putin's actions have changed those numbers. Finland and Sweden have now applied to join NATO, reversing long-standing policies of neutrality. Putin's invasion has damaged Russian security by breaking the rules on which the neutrality of Finland and Sweden had for so long been premised.

International law plays an equally important role within governments, where it provides guidance and guardrails to officials often working in conditions of high pressure and uncertainty. It cuts through ambiguity. It creates predictability within and among governments. Disrupting that predictability risks unraveling the order and discipline of a government. When U.S. Defense Secretary Donald Rumsfeld signaled after the 9/11 attacks that the United States might not comply with the strictures of the Geneva Conventions, he thrust his government and armed forces (already working in difficult situations) into a legal wilderness. This gray area allowed egregious abuses, such as those committed by U.S. troops in Abu Ghraib prison in Iraq, and greatly damaged the United States' standing in the world.

The British government has proposed legislation in 2022 that does not comply with the withdrawal agreement it signed with the European Union in 2019, a move that has paralyzed its own officials, who no longer know what parameters they are working within.

Putin invaded Ukraine knowing that the UN could do little to punish him for violating its charter. The leaders of the world's most powerful countries will sometimes be tempted to flout international laws because they can. But they fail to see the true costs to their international relations and to their own governments.

#### **THE FOLLY OF STRENGTH**

Power can also convince leaders that they are too strong to be constrained by any rules. Putin's early military moves in Ukraine suggest that he was counting on a rapid victory. He commands one of the largest militaries in the world, with some two million personnel and reservists and the largest arsenal of nuclear weapons. Russia's military is experienced, having deployed in recent years in the intervention in Crimea, in covert operations in eastern Ukraine, and in supporting Bashar al-Assad's regime in Syria. Further, Putin's "New Look" military modernization process, launched in 2008, and a rearmament program, begun in 2011, led him to believe that he had significantly improved Russian ground, naval, and air forces. In fact, these programs were riddled with corruption and inefficiency.

Leaders of great powers can revel in the assembled might of their military. They can measure their strength in terms of the numbers of aircraft carriers, attack submarines, advanced air-

craft, armored vehicles, and experienced divisions of troops they have at their disposal and the scope of their intelligence and cyber-capabilities. They imagine that they can easily flex their muscles to take control of a situation and shape the outcome of a conflict.

But over and over, the leaders of great powers discover that they are fantasizing. European colonial powers with overwhelming superiority in military capacity were beaten by nationalist forces in the aftermath of World War II: the Dutch were expelled from Indonesia in 1949, and the French were ousted from Indochina by Vietnamese nationalists in 1954 and from Algeria by Algerian nationalists in 1962. The Americans tried in the 1960s and 1970s to prevail in Vietnam. The Soviets fought and bled from 1979 to 1989 to no avail in Afghanistan, where the Americans did the same after 9/11. In 2003, the United States swiftly toppled Saddam Hussein in Iraq, but the war quickly turned into a doomed occupation. Now, Putin is learning a similar lesson. The Russians moved into Ukraine in February, assuming they would capture Kyiv in a matter of days; instead, Ukrainian forces have delivered a chastening reminder to Putin that his military is not nearly as effective as he thought it was.

Robert McNamara, the former U.S. secretary of defense, suggested in his 1995 book, *In Retrospect: The Tragedy and Lessons of Vietnam*, that great powers fail to see the inevitable limitations of their sophisticated and ultramodern militaries when confronting unconventional insurgencies led by popular, highly motivated groups. As McNamara discovered while running the Pentagon,

the North Vietnamese and the Vietcong were able to repulse far more powerful U.S. forces. He later concluded that Washington had underestimated the power of nationalism to motivate a people to fight and die for their beliefs, values, and land. And it had underestimated the corrosion of morale among its own forces, who had no such motivation. Putin has experienced this same dynamic in his bungled invasion of Ukraine.

The truth is that military power is better at achieving negative goals than it is at achieving positive goals. Force can be effective in stopping an action, such as one country invading or threatening a neighbor, as when the United States and its allies rapidly drove Iraqi forces from Kuwait. But military power is not very good at forcing actors to do specific things. Achieving that requires a long-term presence and a wider and more nuanced range of capabilities. Although military intervention can remove a regime, it cannot necessarily guarantee a stable replacement. As the United States and its allies discovered in Afghanistan in 2001, in Iraq in 2003, and in Libya in 2011, bringing down the old system was the easy part; far harder was building a new one. In Ukraine, Putin was convinced that the might of the Russian military would allow him to achieve his political goals through an invasion. In hindsight, that conviction looks terribly misguided.

#### **LONELY AT THE TOP**

Just as power can make leaders think they are stronger than they actually are, so, too, can it isolate them and encourage them not to listen to others. In preparing to attack Ukraine, Putin seemed to have refused to consult in

any meaningful way with his subordinates, including his spy chief, Sergei Naryshkin, whom he humiliated on national television just days before the invasion. The spectacle exposed how difficult it would be for someone to criticize Putin's plans and still retain influence in his inner circle. As the invasion began to go wrong, *The Times* of London reported that Putin had removed eight Russian generals and fired 150 officers of Russia's Federal Security Service, the country's principal security agency, imprisoning its former chief. By mid-March, Ukrainian media outlets were claiming that he had also fired and detained Roman Gavrillov, the deputy chief of the Russian national guard. Putin has cut himself off from accurate information and instead surrounded himself with people who tell him what he wants to hear.

Putin's isolation from his lieutenants can appear absurd; the unusually long table he often sits at for meetings only highlights his remove from others. His disdain for his lieutenants is palpable. But democratic leaders can also be guilty of such behavior. Heads of the world's most well-established democracies have at times ignored or even humiliated their cabinets. In a 2019 article for *The New York Times*, James Comey, the former director of the FBI, chillingly described how U.S. President Donald Trump co-opted Comey's colleagues into a silent circle of assent. In Comey's words, "Mr. Trump eats your soul in small bites. It starts with your sitting silent while he lies, both in public and private, making you complicit by your silence." In a much subtler way, Prime Minister Blair, ahead of the Iraq war, eschewed formal cabinet

meetings in favor of informal one-on-one chats with each cabinet minister. Without properly circulated papers and formal collective meetings, it was difficult for the ministers to bring to bear the views of different parts of the government or to challenge the prime minister's view. This informality reduced the scope for informed collective political judgment, according to the findings of the 2004 Butler Review, a government investigation into the intelligence behind the claims that Saddam possessed weapons of mass destruction. The result was an ill-advised decision to go to war.

The powerful make a grave mistake by refusing to countenance dissenting views. Putin was probably not prepared for the various reactions his invasion would incur. Soon after his forces moved into Ukraine, Russia was hit with unprecedented economic sanctions. The intensity of the penalties and their expeditious application surprised many, as did the speedy withdrawal of Western companies from Russia. The ruble crashed, the Russian stock market closed, and Russians began to line up at ATMs to withdraw U.S. dollars from their bank accounts. Russia's economy is expected to contract by at least 11 percent this year. The sanctions increasingly isolate Russia, depriving it of the imports it needs for its own economy to function, including microchips, other high-tech goods needed in producing advanced weaponry, and even shirt buttons.

Only a handful of leaders, whose countries are highly dependent on Russia, issued statements of support. These included Myanmar's generals, who rely on Moscow as an arms supplier; Venezuelan President Nicolás

Maduro, who cited Russia's supposed encirclement by hostile forces; and Nicaraguan President Daniel Ortega, who supported Putin's right to recognize the two Moscow-backed separatist regions in Ukraine. Such backing hardly constitutes a helpful vote of confidence.

Russia's most important friends seemed taken aback by the invasion. China initially recognized the importance of Russia's security concerns, but Chinese President Xi Jinping later said he was "pained to see the flames of war reignited in Europe." India abstained in votes to condemn Russia at the UN, but the Indian government later issued sharper and critical statements upholding the principle of national sovereignty. Serbia, normally close to Russia, even voted to condemn the invasion in the UN. Israel, another Russian partner, called Russia's move "a serious violation of the international order." Turkish President Recep Tayyip Erdogan said that Moscow's military actions amounted to a "heavy blow" to regional peace and stability. The leaders of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan, post-Soviet countries that Putin imagines in Russia's orbit, refused to back the Russian intervention. Putin may well have thought he did not need to round up his allies to support his invasion. After all, he essentially got away with annexing Crimea in 2014. Yet as sanctions bite, and the Kremlin feels increasingly hemmed in, Putin has scrambled to find support.

No doubt Putin underestimated how profoundly his invasion of another sovereign country would rankle the world. But the United States and its allies who wish to sanction him would be mistaken to assume that other countries

will simply fall in line behind them. An effective sanctions regime will take ongoing diplomacy, negotiation, and compromise with a wide variety of countries. It will need to be built on common interests. Most countries share an interest in upholding the sovereignty of Ukraine. But they balk at the goal, expressed by U.S. Secretary of Defense Lloyd Austin in late April, of weakening Russia. The prospect of a coalition setting out to weaken another sovereign state fills some with the fear that they might be next. Wider international cooperation will take more inclusiveness and a more disciplined focus on action in areas for which there is broad agreement.

Sanctions against Russia were imposed at first by a coalition of the willing, consisting primarily of Western countries. But many countries, including some democracies, did not immediately fall in behind the coalition. In March, 141 countries voted in favor of the UN General Assembly resolution that condemned the Russian invasion. Although just five states voted against it, some 35 abstained. Coming just two weeks after a summit between the EU and the African Union at which Europeans showcased their willingness to invest in and assist the continent, it was notable that 18 African countries were among the abstainers. Publicly, many of them have voiced skepticism about the principles being invoked by the Western powers. South African officials have accused the EU of double standards and called for it to condemn aggressors in other cases such as the Israeli-Palestinian conflict and the war in Yemen. Other African commentators have pointed out that wars in Africa do not get the same attention as those in



other parts of the world. These conflicts typically elicit statements of concern and the dispatch of special envoys but no wall-to-wall media coverage, no impassioned televised statements from global leaders, no enthusiastic offers of help.

Beneath the rhetoric, powerful interests are at stake. The past two decades have seen both China and Russia actively engage with countries across Africa. China has overtaken the United States as the world's largest direct investor in Africa. Russia is now the source of half of all arms coming into Africa, and it increasingly provides military and security assistance to the Central African Republic, Libya, Mali, Mozambique, and Sudan. Many developing countries are thus wary of joining a U.S.-led coalition of the willing against Russia. A "coalition of the rest" was even more in evidence in April, when a special emergency session of the UN General Assembly was called to expel Russia from the UN Human Rights Council. Seven G-20 countries did not vote with the United States. Twenty-four countries voted against the resolution and 58 countries abstained from the vote, including Brazil, India, Mexico, Saudi Arabia, and South Africa. Only ten African countries voted with the United States.

The coalition of the rest has the power to thwart other international actions. For example, Ukrainian President Volodymyr Zelensky has called on the International Monetary Fund to expel Russia. But this would require an 85 percent vote in favor of expulsion in the IMF. A simple tally of the voting power of the countries that abstained or voted against the expul-

sion of Russia from the UN Human Rights Council suggests that they could veto any attempt to expel Russia from the IMF. They command about 30 percent of the votes in the IMF, which are distributed according to the size of a country's economy.

The United States, the G-7, and the EU are moving fast to widen their economic sanctions on Russia. But their attempts to get other rising powers to join them have been less successful. Their blind spot is an overestimation of their position in the world. They have clung too long to the idea that the G-7 countries are the rule-makers and the rest are the rule-takers, even as the global balance of economic power has shifted. Countries outside the G-7 now have other ideas, and they have reason to doubt the intentions of powerful countries that have often failed to abide by the very rules they've set. The United States and other G-7 members must be wary of dividing the world into good guys and bad guys, democracies and authoritarian regimes, lest they become blind to the concerns of other countries that don't see the world in the same way.

### **SEEING CLEARLY**

But these blind spots are not inevitable, nor are democracies doomed to them. The leaders of powerful countries can protect themselves from the pitfalls of power and make sure that short-term expediency doesn't get in the way of the big picture.

A first line of defense from error lies in the group around a leader. Russia, the United Kingdom, and the United States each have a cabinet comprising ministers who are selected by the head of government. China has the Politburo

Standing Committee. In theory, these bodies take collective responsibility for the decisions a government makes. That needs to happen in practice. Beyond the cabinet, other institutions need to be fully functioning. Public officials and technocrats, the courts, legislatures, the media, and public opinion each play a role in making sure the leader is not blinded by power.

In Russia, these secondary institutions have been steadily brought under Putin's control, sweeping away restraints on his power. The economist Sergei Guriev and the political scientist Daniel Treisman have studied the way Putin controls his citizens by distorting information and simulating democratic procedures. Along with Erdogan and Hungarian Prime Minister Viktor Orban, Putin is one of a new breed of media-savvy strongmen whom Guriev and Treisman call "spin dictators." Governments need institutions that protect against politicians who find it expedient to politicize the judiciary and browbeat, threaten, and fire their civil servants and technocrats for truth telling. The leaders themselves need these checks and balances so that someone will tell them when the emperor is wearing no clothes.

International relations and institutions also play an important role in preventing a powerful leader from miscalculating. The 2021 U.S. withdrawal from Afghanistan might have gone better had Biden chosen to act multilaterally, not unilaterally. In the pressure and urgency of the moment, blinded by the significance of the decision, the administration failed to adequately consult and coordinate with allies. Likewise, Western leaders should

consult with Russia's other major trading partners and neighbors in crafting a response to Putin's invasion.

International cooperation is becoming both more important and more difficult: more important so as to limit war, stop climate change, and mitigate the perfect storm of debt, famine, and economic retrenchment now hitting the poorest in the world and undoing decades of progress on health, education, and opportunity; more difficult because of tensions between China and the United States and the international political divisions arising from Russia's invasion of Ukraine. Even the G-20 finance ministers and the policy-setting body of the IMF—two forums that can usually be relied on to issue an agreed statement (however anodyne) during moments of global tension—failed to find that consensus in their April meetings in Washington.

Yet international cooperation can still offer vital restraints to leaders blinded by power. Convinced of their own unarguable influence on the world stage, heads of powerful states are often tempted to take the fast and seemingly easy and decisive route to achieving their aims, however reckless it may be. Diplomacy and open discussion with other countries can provide information, perspective, and, indeed, a check on the actions of a leader. At this volatile juncture in world politics, leaders should commit to a back-to-basics approach centered on adherence to the core UN Charter. They should eschew broader interventionist agendas that lack global support. The clarity of international law will help even the most powerful actors see clearly. 🌐

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# The Perils of Pessimism

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## Why Anxious Nations Are Dangerous Nations

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*Daniel W. Drezner*

**T**he dirty secret about international relations is that although everyone agrees about the importance of power, no one can agree on how to define or measure it. There are occasional moments when a consensus exists about the distribution of power: think of U.S. hegemony a generation ago. There are more moments when the relative strength and influence of the great powers remains unclear: think of the last decade of international politics, which was shaped by multiple competing narratives about the rise of China and the decline of the United States. And there are moments when the entire question of international power is put to the test: think of times when major wars break out, such as the one currently being fought between Russia and Ukraine.

People commonly think of power as a country's ability to force others to do what that country wants. Experts usually measure it by looking at military might or GDP. But these are at best partial—and at worst biased—views. And they reveal very little about how a state may or may not act.

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Left out in such accountings of power is a crucial factor: expectations about the future and whether state leaders believe in an optimistic or a pessimistic destiny for their country. If leaders believe the future looks unfavorable, they will be tempted to take risky actions in the present to forestall further decline, which can lead to arms races and brinkmanship during crises. In contrast, optimistic leaders foresee a brighter future ahead for their country and thus favor strategic patience, which tends to produce investments in global governance.

The United States and its allies and partners have been pleasantly surprised by the trajectory of the war in Ukraine, which many believed Russia would win easily and quickly. Unfortunately, however, this sense of optimism might prove fleeting—and, needless to say, it is hardly shared by Moscow and Beijing. Indeed, it is possible to envision a scenario in which the conflict in Ukraine makes the whole world even more pessimistic about the future, which could mean a much greater likelihood of great-power war.

### GREAT EXPECTATIONS

Power is the currency of world politics, but there is little agreement in either scholarly or policy circles about how to define it. An easy way to illustrate this is to list all the adjectives applied to the term, such as “soft,” “sharp,” “social,” “structural”—and those are just the modifiers that start with the letter *s*. From issue to issue, actor to actor, the definition of power applied varies.

One reason for these conflicting perspectives is that foreign policy leaders make different assumptions



about the future, and those assumptions, in turn, determine which dimensions of power matter. Some forms of influence are valuable in the here and now, including military force and economic coercion. But although they are essential in a crisis, these forms of power often create counterproductive security dilemmas. When a great power increases its military budget, even for defensive purposes, challengers feel compelled to respond in kind.

Other forms of influence work more slowly. Economic networks and security frameworks are not created overnight. Building global governance structures, such as the Bretton Woods institutions and the Nuclear Nonproliferation Treaty, is a painstaking task that can take years. Soft power—that is, the ability of one country to persuade other countries to want similar ends—can take generations to develop and exercise. But these forms of power have their advantages. They are self-reinforcing; once they are established, it is difficult for a challenger to create alternatives. A leader who does not think too far into the future will not care about these means of influence, because the rewards from investments in them are not immediate enough to matter right away. A leader who does think about the future, by contrast, will be willing to absorb short-term costs to invest in the tools of power that will prove valuable in the long run.

Whether foreign policy leaders take a short-term or a long-term view of power depends on a number of factors. If leaders believe the world they inhabit is a Hobbesian one, in which life is “poor, nasty, brutish, and short,” they cannot afford the luxury of a long-term perspec-

tive. An international system rife with disaster, plague, limited economic growth, and violence is one that forces greater attention on the short run. In other words, for most of the history of international relations, a short-term perspective made complete sense.

More recently, however, better global conditions have made it possible for leaders to see a more favorable future. The end of the Malthusian trap—the belief that human population growth was limited by agricultural output—and the beginning of the Industrial Revolution heralded an era in which people could legitimately believe that better days lay ahead. Average human life expectancy increased from under 30 years in 1800 to more than 70 years in 2015. Over roughly the same time period, the child mortality rate plummeted by a factor of ten. A world in which everyone was becoming healthier and wealthier suggested a brighter future.

These trends have been nearly universal. Individual countries, however, vary in their relative optimism or pessimism about their future power. Policymakers in countries with robust and sustainable birthrates and minimal outward migration could interpret those indicators as a sign that their state is on the upswing. Below-replacement birthrates and elevated outward migration might signal the opposite. Similarly, countries that experience either rapid economic growth or sustained stagnation could project those same patterns into the future. In general, one would expect states with strong growth trends relative to their peer competitors to be optimistic about the future. Significant policy outcomes, whether positive or negative, could also affect

expectations about the future. Countries that win wars are likely to be confident about their future ability to confront traditional security threats. Countries that lose wars have little choice but to commit to building short-term military power, fearing further setbacks on the battlefield.

Observable information can inform countries' temporal expectations: a booming economy is usually a good omen. Nonetheless, in most contexts, the future is uncertain. Even supposedly objective information can provide contradictory or confusing signals. The real significance of China's economic growth rate or the importance of the U.S. dollar to global trade, for instance, remains hotly contested. Put another way, material metrics can go only so far toward reducing uncertainty about what lies ahead.

Foreign policy elites cope with this uncertainty by fashioning coherent narratives about whether the future is favorable or unfavorable to their country's interests. Ideologies such as Marxism and liberal internationalism, for instance, rest on visions of progress based on certain actors inexorably rising to power and prosperity. More pessimistic narratives include historical cycles of rising and falling or of terminal decline, violence, and rebirth.

Strategic narratives about the future vary, but they tend to take one of two rough forms. Actors with positive expectations believe that the future distribution of power will be better for their country than the present distribution. In other words, the future is favorable, and events will reward strategic patience. Actors with negative expectations, by contrast,

believe that the future distribution of power will be worse for their country than the present distribution. These actors see an unfavorable future and may feel the need to take immediate action to forestall decline.

### **THE LONG VIEW**

Pessimistic governments cannot focus too much on the distant future because they believe they must act in the present to avoid a more dangerous world. Under these circumstances, what matters are so-called kinetic capabilities—instruments of statecraft that can be used immediately to change the facts on the ground as quickly as possible. Leaders of these states will therefore focus most of their attention on existing military and economic resources and active efforts to increase them. Initiatives by other countries to augment their soft power or develop alternative networks or institutions might get noticed by these leaders, but they will provoke less concern. Leaders focused on the here and now will not prioritize such long-term threats.

By contrast, governments with positive expectations about the future have confidence in their continued national ascent. This enables a longer time horizon, allowing policymakers to invest in forms of power that take more time to pay off: global governance, cultural diplomacy, long-standing alliances and partnerships, pie-in-the-sky technological innovations, and so forth. These forms of power require substantial investment and time to develop, but the rewards are significant. Optimistic expectations also mean that these states can apply an ambitious definition of power in

assessing others' capabilities. They will notice what other great powers are doing across many dimensions of power, not just military might. As the sociologist Steven Lukes has explained, "The wider the scope of what, in the view of one's conceptual framework, is going to count as power, the more power in the world one will be able to see."

The extent to which great powers are optimistic or pessimistic about the future has profound effects on their present-day strategies. A world of great powers that are optimistic about the future will have arenas of confrontation but little war. These confident great powers will invest in resources designed to attract as well as coerce, suggesting a contested but relatively pacific world. A world of pessimistic great powers, however, will lead to an emphasis on military capabilities and a temptation to engage in preventive action. Militarized disputes are far more likely in a pessimistic world, where the role of force matters the most.

Consider the dynamic between a rising power and an established one. For both actors, the belief that better days are coming will alter their threat perceptions. For the rising power, such optimism makes it seem unnecessary to immediately invest in military capabilities, which could run the risk of triggering an unnecessary conflict. Anything that provokes a preemptive response from established powers is undesirable. And why risk upending a tolerable status quo if revisionist steps would be even easier in the future, when the distribution of power is more favorable?

Optimism would also make an established power less likely to use

force when confronting a revisionist rival, whose efforts to challenge the existing security order would appear more like acts of self-sabotage than genuine threats. As such, optimistic hegemons take some precautionary measures to ensure that revisionist powers cannot threaten their core security interests, but they focus primarily on inducing smaller states to accept the existing rules of the game. Established powers with long time horizons pay greater attention to rising powers that invest in nonmilitary capabilities, such as soft power, which might pose real risks in the far future.

The 1990s offered a good example of these dynamics. U.S. policymakers imbibed the political scientist Francis Fukuyama's "end of history" thesis, which posited that there were no longer any universal ideological challengers to liberal, free-market democracy. The international relations theorist Joseph Nye's argument that the United States possessed an abundance of soft power further brightened the outlook. Faith in democratization and the so-called Washington consensus regarding neoliberal economic development bolstered U.S. confidence, as well. Owing to this optimism, it is not surprising that the United States chose to engage, rather than confront, potential rivals such as China.

Nor is it surprising that China welcomed this engagement. By embracing globalization, China saw its economy grow at an extraordinary clip. Beijing's expectations for the future were also positive, represented by the Chinese leader Deng Xiaoping's cautious advice for the country: "Observe calmly; secure our position; cope with

affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership.” China had good reasons to refrain from pursuing explicitly revisionist aims during this period, as Beijing expected a rosy future. It was not in China’s interests to directly challenge the liberal international order, since that could mean being cut off from its benefits. Both Beijing and Washington therefore invested more in long-term global governance and soft power. Military power was always present, but it was not the policy option of first resort for either great power.

A world in which great powers have pessimistic expectations of the future is far more dangerous. In that instance, actors pay attention to military capabilities above all else. Unlike other forms of power, after all, military force can be quickly deployed during a crisis. A rising power, fearing a limited window for ascent, could choose to acquire military resources to maximize its temporary advantage and prevent it from once again falling behind. An established hegemon, also fearing a diminished future, might react negatively and precipitate a military dispute out of a belief that its power will only decrease as time goes on. For two pessimistic states, delay increases the risk of catastrophe.

The classic example of this dynamic at work is the prelude to World War I. On the eve of that conflict, the United Kingdom was the most powerful country in the world. British policymakers, however, were extremely concerned about Wilhelmine Germany’s rapid rise, particularly its naval expansion. Berlin, in turn, held negative

expectations about the future given Russia’s even more rapid accumulation of power. By 1912, the Prussian General Staff had come to fear that in less than five years, Russian capabilities would be too great to counter. This led German strategists to advocate launching a preventive war before Germany’s window of opportunity to dominate continental Europe closed. In short, Europe was consumed by pessimism. All the great powers engaged in furious rearmament strategies, and most of them engaged in trade wars. This environment resembled an overgrown forest cluttered with kindling and parched by drought. All it took was a random spark—the assassination of an archduke—to set it afire.

### **THE AGE OF PESSIMISM**

During the first two decades of the twenty-first century, China continued to act as an optimistic great power. The Chinese economy was growing rapidly, Beijing’s security environment was improving, and the country’s citizens were becoming more educated than ever before. (Even today, public opinion polling suggests that the Chinese are more optimistic about the future and more confident that their country is headed in the right direction than are the people in any other major economy.) This self-assurance fostered strategic patience and a focus on the long term. Beijing sponsored Confucius Institutes abroad to bolster its image and soft power. It invested in a long-term diplomatic strategy to reduce Taiwan’s international recognition. It developed wedge issues to play the United States and the European Union off each other, all while generating



goodwill in the “global South.” China began creating global governance structures that could potentially challenge the liberal international order, including the New Development Bank, the Asian Infrastructure Investment Bank, and the Belt and Road Initiative.

Over the same period, U.S. expectations darkened. The 9/11 terrorist attacks, the disastrous Iraq war, and the 2008 financial crisis all challenged Americans’ faith in the future. According to Gallup polling data, the last time a majority of U.S. respondents believed that their country was headed in the right direction was January 2004. A quick review of recent presidential inaugural addresses hints at this escalating pessimism. In 2009, amid an economic crisis and war, U.S. President Barack Obama stressed the need to “begin again the work of remaking America.” President Donald Trump’s rhetoric in 2017 was more hyperbolic, decrying the “American carnage” of the previous eight years and promising to “protect our borders from the ravages of other countries making our products, stealing our companies, and destroying our jobs.” In his inaugural address in 2021, President Joe Biden acknowledged that “few periods in our nation’s history have been more challenging or difficult than the one we’re in now.”

Despite growing U.S. pessimism, China largely managed to avoid confrontation. By acceding to the U.S.-led “war on terror,” China was able to rise while the United States stayed focused on more immediate dangers. China was also patient enough to invest in global governance structures that few U.S. officials viewed as imminent threats. Beijing’s future looked bright,



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so it felt no need to immediately challenge U.S. hegemony. China needed only to bide its time.

As Chinese leader Xi Jinping consolidated his grip on power, however, Beijing's optimism began to wane. China has had below-replacement birthrates for 30 years, and recent government efforts to boost these numbers have fizzled. China's population just recorded its slowest annual growth rate in decades, and its migrant worker population fell in 2020 for the first time since data collection began. Compared with the United States, China faces a severe demographic crunch. It now seems likely that the country will grow old before it grows rich. At the same time, China's draconian zero-COVID policies have soured public opinion in urban areas such as Beijing and Shanghai.

China's economic outlook has also become more bearish in recent years. Although the country's growth between 2000 and 2010 was extraordinary, its slowdown over the past decade has been equally sharp. China's GDP growth has fallen from a peak of 14 percent in 2007 to something closer to two percent in 2020. China's total productivity growth has decreased by half since the 2008 financial crisis, prompting the political scientist Denny Roy to describe China as a "low productivity superpower." China's debt-to-GDP ratio, moreover, is nearly three times that of the United States. The country's future economic growth looks even less promising given Xi's failed reform efforts. As the economist Daniel Rosen observed in these pages in 2021, "An honest assessment of recent setbacks suggests that time is running out. . . .

There are at most a few years [for China] to act before growth runs out."

These trends are a cause for concern. Relations between countries are most unstable when all the leading powers have pessimistic expectations—a situation that threatens to characterize the coming decade of great-power politics. China and the United States have adopted negative worldviews, and there is reason to fear that their outlooks could darken even further. Both countries are getting older. Immigration to the United States, the traditional source of demographic strength for the country, has dried up, according to the U.S. Census Bureau. By one estimate, there are currently 1.8 million fewer working-age immigrants in the United States today than there would have been if pre-2020 immigration trends had continued. Even more disconcerting, ongoing systemic shocks—the COVID-19 pandemic, financial turmoil, global supply chain bottlenecks, political polarization—will only feed a crisis mentality that invites short-term thinking.

#### **LOOK ON THE BRIGHT SIDE**

Pessimism is also a major contributing factor to the war in Ukraine. For all his talk about restoring Russian greatness, Russian President Vladimir Putin has a pessimistic worldview, and this explains his decision to invade. Russia's 2014 interventions in Crimea and eastern Ukraine backfired badly. Instead of returning to the Russian fold, Ukraine responded by bolstering its military capabilities and drawing closer to NATO and the European Union. As Ukraine's westward drift accelerated, Putin felt he had to act quickly—and with military force—before Kyiv completely escaped

Russia's sphere of influence. As an anonymous Western intelligence official explained to the BBC, Putin "felt like he had a closing window of opportunity."

The surprising course of the war has likely further fed Putin's pessimism—and encouraged pessimism in Beijing, as well. Chinese officials probably expected a fractured and ineffectual Western response to Russia's war. Little wonder that Xi agreed to a "friendship without limits" with Putin in the run-up to the invasion. After months of war, however, China's position looks much more vulnerable. Beijing's support for Russia has left its Asian neighbors more wary of Chinese intentions. To assist Ukraine, moreover, the United States and its allies have unleashed an array of economic, military, and intelligence measures that have severely limited Russian capabilities. It is impossible for Chinese officials to look at the difficulty Russia is having subduing its neighbor without considering the parallels with Taiwan. If Xi fears that his window of opportunity is closing for forced unification, he could act preventively.

The key question is whether the conflict in Ukraine will lead the United States to adopt more positive expectations about its future. Over the past two decades, terrorist attacks, financial crises, and political polarization have eviscerated American optimism. Rising inflation and goods shortages threaten to further exacerbate U.S. pessimism. If policymakers fear that the country's power and influence are on the wane, then the potential for great-power war will rise considerably.

Successful U.S. support for Ukraine could be a game-changer, however. For the first time in years, the United States

has demonstrated policy competence during a global crisis. Ukraine's stout resistance and its identification with Europe and the United States have reminded everyone, including Americans, that U.S. soft power and structural power persist. After decades of rhetoric about American decline and a democratic recession, U.S. policymakers can now speak of restored alliances and a determination to strengthen the liberal international order. Perceptions of U.S. hegemony might be starting to shift in a more favorable direction.

If American officials believe that the future will be more favorable than the present, then perhaps they can focus on reinforcing the liberal international order that has advanced U.S. interests for decades. Less concerned about immediate threats, Washington might be able to reemphasize long-term objectives, such as reversing democratic backsliding and building a resilient set of rules for the twenty-first-century global economy. Despite rising Chinese pessimism, a strong United States, confident in its future and its role in the world, could retake its historic position within the international system. An optimistic United States will fortify international institutions and offer a bridge to countries in the global South—including China—that are interested in joining the order as responsible stakeholders. If, however, the great powers succumb to pessimism, then all bets are off, and the world will face a dangerous decade. 🌐

# The Balance of Soft Power

## The American and Chinese Quests to Win Hearts and Minds

*Maria Repnikova*

**I**n the post–Cold War era, few concepts have more profoundly shaped discussions of U.S. foreign policy than the idea of “soft power.” The term was coined by the American political scientist Joseph Nye in his 1990 book, *Bound to Lead*, in which he defined it as “getting others to want what you want.” But Nye wasn’t just trying to illuminate an element of national power. He was also pushing back against arguments that the United States was facing an impending decline. To the contrary, Nye argued that alongside its military prowess and economic strength, the United States enjoyed a massive advantage over any potential rivals thanks to its abundant soft power, which rested on “intangible resources: culture, ideology, [and] the ability to use international institutions to determine the framework of debate.”

The idea of soft power gained traction in the 1990s but was tested in the United States in the years after the 9/11 attacks in 2001. Following the disastrous U.S. war

in Iraq and the steep rise in anti-American sentiment in the Middle East and beyond, Nye insisted that soft power was not merely complementary to hard power but indispensable to it. “When we discount the importance of our attractiveness to other countries, we pay the price,” he argued in his 2004 book, *Soft Power*, urging a more deliberate deployment of public diplomacy. Such arguments held little sway in the George W. Bush administration but were later embraced by the Obama administration; in 2013, an article in these pages described Obama’s first top diplomat, Hillary Clinton, as “the soft-power secretary of state.” The soft-power pendulum swung again under the more hawkish and less internationalist administration of President Donald Trump and once again when President Joe Biden took office, pledging to restore the country’s moral stature and to “lead not merely by the example of our power but by the power of our example.”

Amid these swings in policy over the past two decades, the concept of soft power only grew in prominence, popularized by a legion of pundits who used it as a shorthand for describing the cultural contours of Pax Americana. “America’s soft power isn’t just pop and schlock; its cultural clout is both high and low,” the German commentator Josef Joffe wrote in a characteristic invocation of the idea in 2006. “It is grunge and Google, Madonna and MoMA, Hollywood and Harvard.”

The concept’s fluidity and the idea that soft power gave the United States a leg up in its path to hegemony have also made the notion enticing to thinkers and leaders in many other countries and regions. And among the places where the concept of soft power has been most

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enthusiastically embraced is in China. Beginning around 2007, under then President Hu Jintao's leadership, top-level Chinese officials started incorporating soft power into their speeches and publications. That year, at the Chinese Communist Party's 17th National Congress, Hu urged the party's cadres "to stimulate the cultural creativity of the whole nation, and enhance culture as part of the soft power of our country." In the years since, Chinese scholars have produced a rich corpus of writings on the topic, and the CCP has made massive investments in public diplomacy, including the global expansion of state-owned media outlets and the cultural and language centers known as Confucius Institutes and Classrooms, which it has established in 162 countries. Meanwhile, the party has sought to internationalize the Chinese higher education system by recruiting foreign students and scholars.

As in the United States, soft power has been treated as a hopeful idea in China: an important additive to the country's rise, especially its economic expansion. In fact, Chinese experts and officials now embrace soft power with more urgency than do their American counterparts. There is an inherent understanding that China's status in the international system is limited and overshadowed by the West, and that to truly rival the United States, China needs more recognition from and more influence over global public opinion. External legitimation and respect, for the Chinese party-state, is also linked to its domestic legitimacy. The Chinese understanding of soft power is connected to ideas of "cultural confidence" and "cultural security" that President Xi

Jinping has promoted, terms that signify social cohesion around and pride in Chinese culture, values, and history.

As the contest between the United States and China accelerates, it would be natural to see soft power as just another vector of competition, with Washington and Beijing vying to make themselves and their political and economic models more attractive to the rest of the world. Leaders and elites in both countries clearly see things that way, and some worry about their potential vulnerabilities. In the United States, the erosion of democratic norms could harm the country's image as a bastion of liberal values. In China, a slowing economy and a sense of isolation created by the country's "zero-COVID" approach to the pandemic could dim its reputation for pragmatic, results-oriented governance.

But the image of straightforward contest does not quite capture the way events are playing out. For one thing, the two countries interpret soft power quite differently and operationalize the concept in distinct ways. Whereas Washington places democratic values and ideals at the heart of its soft-power promotion, China focuses more on practical matters, seeking to fuse its cultural and commercial appeals. That approach has reaped limited rewards in the West but has resonated in the "global South." Even there, however, people often see the two forms of soft power as complementary rather than competitive. Simply put, people in many parts of the world are perfectly happy to have both the Americans and the Chinese try to seduce them with their respective visions and values. What Washington and Beijing see as zero-sum, much of the world often sees as win-win.

## **SOFT POWER IS HARD**

The American conception of soft power has always had a distinctly ideological bent, as the United States presents itself as the chief defender of the liberal democratic order. Biden captured the essence of this view of American influence in his inaugural address. “We will lead not merely by the example of our power but by the power of our example,” he declared, using a favorite formulation of his. In December 2021, the Biden administration hosted a virtual Summit for Democracy with the aim of democratic renewal and building alliances against authoritarian powers such as China and Russia. Russia’s ongoing war with Ukraine has further elevated the goal of strengthening democratic solidarity against a shared authoritarian aggressor.

U.S. public diplomacy echoes these sentiments. On social media, American embassies celebrate gender, racial, and cultural diversity and hail examples of individual resilience and creativity, sometimes combining the two themes by publicizing the success stories of individual immigrants and inviting them to speak at events and forums. American soft power is also largely shaped by private-sector cultural exports, such as Hollywood films, hip-hop music and style, and such globally recognizable brands as Coca-Cola and McDonald’s. U.S. soft-power projection often brings the public and private sectors together. During the Cold War era, for instance, the State Department promoted American jazz musicians abroad, and the CIA covertly sponsored writers and publications. This tradition has persisted and expanded in the post-Cold War era, with

the State Department sponsoring artists and musicians to act as something akin to cultural ambassadors.

In China, the understanding and practice of soft power focus more on pragmatism than on values. In engaging with Nye’s idea, some Chinese analysts have argued that the separation between hard and soft power is artificial, noting that much of the United States’ attractiveness depends on its military prowess and economic strength. As the scholar Zhao Kejin has pointed out, even one of the most celebrated symbols of American soft power, Coca-Cola, is not merely a cultural phenomenon but a commercial juggernaut. Reflecting this critique, the CCP’s soft-power strategy involves promoting Chinese culture and values but also touts China’s model of economic development, its governing competence, its technological advances, its growing military capabilities, and its ability to carry out political mobilization, as seen in its campaigns against poverty and corruption. Anything that might improve China’s image is considered an element of soft power—even Chinese hard power. Whereas Washington sometimes relies on soft power to distract from its hard power, Beijing sometimes draws attention to its hard power to buttress its soft power.

China’s more pragmatic and less ideological approach to soft power comes through in Xi’s major international speeches, in which he tends to downplay ideology in favor of practical aspirations. “We should safeguard and improve people’s livelihoods and protect and promote human rights through development, and make sure that development is for the people and by the people, and that its fruits are shared

among the people,” Xi proclaimed in an address at the UN in September 2021. Xi’s formulation subtly undercuts the connection between rights and liberal democratic values, redefining “human rights” as access to economic opportunities. In communicating with global audiences, China’s international media outlets, such as *China Daily* and CGTN, follow Xi’s lead and emphasize China’s economic breakthroughs. The CCP buttresses this kind of soft-power diplomacy with acts of material generosity. Earlier this year, for instance, Xi pledged \$500 million to support development objectives in Central Asian countries, including improvements in agriculture and public health.

China also tries to bolster its soft power through education. State-sponsored training programs that China offers officials in countries in the global South present the CCP as an inspiration for fast-paced development, especially when it comes to beating poverty. “They lifted 700 million out of poverty!” exclaimed an Ethiopian official I met in Addis Ababa in 2019 who has attended several Chinese trainings. He then ticked off a list of facts and figures that he had learned on his trip to China, including the country’s GDP growth rate, the number of universities it hosts, and even its urbanization rate.

U.S. soft power benefits from an image of American educational institutions as elite and top tier; in contrast, Chinese universities use their relatively low tuition and the availability of state-funded scholarships as selling points when recruiting students from the global South. (Before the COVID-19 pandemic, about 80,000 students from Africa were studying in China, making

it the second most popular destination for African students, after France.) China also pegs its international education programs directly to state-funded economic opportunities. In promoting Confucius Institutes, Beijing emphasizes not only the scholarships that students can obtain but also the potential for employment at Chinese companies that graduates enjoy. In Ethiopia, for instance, advertisements for Confucius Institutes list, among other practical benefits of studying Chinese, the possibility of getting a high-paying job at a Chinese company. (Enjoying Chinese culture appears near the bottom of the list.) My interviews with students and university officials in Ethiopia revealed that many institute graduates end up working as translators at Chinese enterprises, where they get paid double the average salary of an Ethiopian university professor.

From a Western perspective, China might appear to be making up for a lack of ideational power with material inducements. According to that view, China is not really exercising soft power at all but using its economic power to co-opt people. This critique misses the fact that although such economic inducements themselves are not exercises of soft power, they enhance China’s soft power by bolstering the country’s image as a bastion of generosity, opportunity, competence, and pragmatism. Economic engagement also has an affective dimension, encouraging an emotional connection to China, especially in places where other opportunities are scarce. What might look transactional to Western eyes in fact communicates a powerful message about what makes China attractive.



### **PRAGMATISM SELLS**

In the United States and other Western industrialized democracies, Chinese soft power has had little impact, as evidenced by China's declining favorability in such places in recent years. This is in part a byproduct of preexisting negative associations of China with communism and authoritarianism. These negative views are also connected to China's increasingly assertive foreign policy under Xi, including the rise of what is known as "Wolf Warrior" diplomacy, which involves officials' using antagonistic, even churlish rhetoric to attack China's critics, especially in the West.

In the global South, however, including in Africa and in Latin America, China's more pragmatic approach to soft power, layered on top of its expansive economic engagement, has had more success. The latest public opinion surveys in Africa found a largely positive sentiment toward China's economic and political influence on the continent; almost two-thirds of Africans surveyed across 34 countries regarded China's influence as "somewhat positive" or "very positive." And in a survey that the Pew Research Center conducted in Argentina, Brazil, and Mexico in 2019, about half of respondents reported having a favorable image of China; only about a quarter expressed negative views.

In my research on Chinese soft power in Ethiopia as well as in my interviews with African elites studying and attending professional trainings in Beijing, I found a general appreciation for Chinese soft-power tools, such as educational opportunities. In contrast to the small number of highly competitive fellowship programs sponsored

by the U.S. State Department, China offers thousands of scholarships to cover the cost of degrees and training programs for African elites and young people. In Ethiopia, almost every official one meets has already been to China, or plans to go, or knows someone who has gone. These are ambitious people, hungry for firsthand experience in major centers of global power, and although China might not be their top-choice destination, it is often the only feasible one. As one Ethiopian media professional in Addis Ababa told me during my visit in 2019, "It is better to see China than to stay at home and see nothing."

For the broader public in places such as Ethiopia, Chinese soft power tends to become visible through infrastructure projects, such as railways, bridges, and highways. Many of these projects are controversial because of onerous loans, disputes over labor, and concerns over quality and safety. Nevertheless, they elevate China's standing. In Addis Ababa, ubiquitous construction sites funded by Chinese investment are covered with posters advertising Chinese companies. When I asked Ethiopians about the critiques from U.S. officials who warn of China's malign influence on Ethiopian politics and society, the response I often heard was, "And where are the Americans?"

While acknowledging China's relative appeal and advantages in the global South, it is important not to treat the U.S.-Chinese competition there, or elsewhere, as a zero-sum game. Many people find both China and the United States attractive and perceive their different models as complementary rather than as mutually exclusive. Even

in regions such as Southeast Asia, where more overt suspicion and contestation of Chinese influence and soft power exist, surveys indicate a strong reluctance to side with either country.

In my interviews with Ethiopians in Addis Ababa and Beijing, I found that many embrace China's story of economic success and the idea of a shared developmental trajectory while also voicing support for values they associate with the United States, such as human rights and democratic freedoms. Elites in places such as Ethiopia seek opportunities to interact with individuals and institutions in both countries and sometimes find themselves negotiating between the two. Ethiopian journalists who attended training programs in China, for example, often inquire about similar opportunities in the United States.

In Ethiopia and elsewhere, officials often use China's engagement as a negotiating chip in getting the United States to contribute more. For instance, at a higher education workshop hosted by the U.S. Embassy in Addis Ababa in 2019, an Ethiopian education official highlighted China as an example of one of the countries that "take our students," implying that the United States should grant similar opportunities. The American officials present politely ignored this comment and stuck to emphasizing U.S. offerings, such as prestigious fellowships and university-to-university partnerships. Privately, however, one embassy official acknowledged that China is competing "at scale" when it comes to educational access for Africans and that for many African students, China is the most likely destination.

## **NO CONTEST**

Looking ahead, the United States and China will face distinctive challenges in soft-power promotion. Washington's approach draws scrutiny because of the disconnect between the country's emphasis on democratic values and its inconsistent adherence to them. Democratic erosion, pervasive racial discrimination, and attacks on reproductive rights at home detract from the United States' image as an inspirational democracy. In workshops with U.S. State Department officials, I have sensed a growing awareness of the need to address these issues but also a sense of fear that doing so publicly would put the United States at a disadvantage vis-à-vis China. "Wouldn't it make us look weak?" asked one official when I suggested that U.S. public diplomacy could convey more candor and humility about the challenges facing American democracy.

Abroad, Washington's selective commitment to human rights encourages cynicism about its intentions. The failure of the United States and its allies to galvanize much of the global South, including major countries such as Brazil, India, and South Africa, in the confrontation with Russia reflects deep-seated distrust. In explaining their reluctance to condemn Russia, officials from such countries tend to accuse NATO of playing a role in creating the crisis in Ukraine and downplay Russia's aggression by pointing to wars waged by the United States—rhetoric that precisely echoes that of Chinese diplomats and state media.

The United States also ties its own hands by limiting its investments in human capital through training and education opportunities. American

diplomats often express interest in the idea of competing with China when it comes to scholarships and other means of attracting talent. But many also express a conviction that the best talent will find its way to the United States organically, a belief that creates inertia when it comes to fundamentally rethinking the conduct of public diplomacy.

For its part, by relying on practical inducements rather than ideological visions, China invites scrutiny over the quality of its offerings and risks a wholly transactional reciprocity on the ground. China's COVID-19 vaccine exports, for instance, were met with suspicion in many parts of the global South and were sidelined in favor of Western options when they became available; concerns about the effectiveness of the Chinese vaccines were later borne out. Similarly, in conversations I have had with students from a number of African countries, many have worried aloud about the quality of student-teacher interactions and the pedagogic approaches at some education programs in China. Studies of the impact of Chinese state media in Latin America and in Africa have noted limited public consumption, partly because people saw the content as unappealing. To bridge the quality gap, the CCP would have to shift its evaluation metrics from quantity to quality and allow for more creative freedom, especially in the media—two adjustments that appear unlikely to happen under Xi.

More broadly, China's pragmatic soft-power approach risks collapsing into mere transactionalism, with any benefit to China contingent on others' receiving material benefits. When I

asked Ethiopian university officials what would happen to Confucius Institutes in the country if studying at them no longer led to jobs at Chinese companies, their response was clear and terse: "We would close them down." It remains to be seen how China's years of pandemic isolation, which have hindered people-to-people exchanges, will affect its image in the global South. In the absence of a larger ideational vision, however, China will need to keep doling out ever larger gifts—a task that will become harder if the Chinese economy continues to slow.

Officials in the United States have been thinking about, talking about, and consciously wielding soft power, although unevenly and often ambivalently, for decades. Their Chinese counterparts got a later start. This could be a disadvantage, but it could also work to China's benefit. Contradictions, internal tensions, and even hypocrisy have become deeply woven into U.S. soft power. Managed properly, China's less lofty vision of soft power might yet avoid that problem, so long as it can remain "soft" at all. Meanwhile, despite the belief in Washington and Beijing that the two countries are engaged in a soft-power competition, the reality looks more like soft-power coexistence. Their success in making themselves more attractive depends not so much on outmaneuvering each other as on overcoming their own internal frictions. As each country tries to refine its appeal and reduce the other's, much of the world is becoming less interested in the question of whether the American model or the Chinese one is the most attractive overall and more interested in what each one has to offer. 🌐

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# What Makes a Power Great

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## The Real Drivers of Rise and Fall

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*Michael J. Mazarr*

**R**ussia's invasion of Ukraine—and China's implicit support for this violent attempt to subvert the international order—has intensified the strategic competition that now defines U.S. national security policy. What up to this point may have seemed like an abstract and inchoate challenge has suddenly become real, urgent, and perilous. In response, many U.S. officials and analysts have called for the United States to enhance its military capabilities, harden its defenses, and invest in key technologies. Washington must prepare to have its will tested again and again, they say, whether by proxy wars or by other challenges to the United States' network of alliances and security partnerships. Success in great-power competition, in this view, depends on accumulating victories in a series of individual contests for supremacy.

History offers a different lesson. Nations do not prevail in enduring competitions chiefly by acquiring superior technological or military capabilities or even by imposing their will in every crisis or war. Great powers can make many mistakes—lose wars, lose allies, even lose their military edge—and still triumph in long-term contests. In the struggle for

advantage among world powers, it is not military or economic might that makes the crucial difference but the fundamental qualities of a society: the characteristics of a nation that generate economic productivity, technological innovation, social cohesion, and national will.

This is not a new insight, of course. American politicians, scholars, and pundits have for decades paid lip service to the idea that a dynamic and resilient home front is the foundation for success abroad. But behind such vague bromides are specific national qualities that social scientists can identify and measure. Over the course of 15 months, I led a RAND Corporation study for the U.S. Defense Department's Office of Net Assessment, supported by analysis from outside historians, that did exactly that. Drawing on historical case studies and research on economic development, technological advancement, and much else, we isolated a number of national characteristics that throughout history have underpinned national competitive success—including a strong national ambition, a culture of learning and adaptation, and significant diversity and pluralism.

These domestic strengths are the building blocks of international power. But to enable a country to succeed, they must reinforce and support one another. And they must not fall out of balance. Too much national ambition, for instance, can lead to overreach, imperiling the country that overcommits itself. But countries with too little ambition, diversity, or willingness to learn and adapt risk starting a negative cycle that can spiral into national decline. Today, the United States finds itself deficient in many of the qualities that powered its rise over the second half of the twentieth century. If it is to regain its

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competitive advantage—and prevail in its current contests with China and Russia—it will have to do more than just outspend its rivals on defense or advanced military technologies. It will have to nurture the qualities that make great powers dynamic, innovative, and adaptive.

### **INNOVATION ADDICTS**

On the eve of the Peloponnesian War in 432 BC, a delegation from Corinth traveled to Sparta in a last-ditch effort to prevent what would become a generational conflict. In his history of the war, Thucydides recounts how the Corinthians accused the Spartans, their allies, of turning a blind eye to the alarming growth of Athenian power. “The Athenians are addicted to innovation, and their designs are characterized by swiftness alike in conception and execution; you have a genius for keeping what you have got, accompanied by a total want of invention, and when forced to act, you never go far enough,” the Corinthians complained. They continued: “To describe their character in a word, one might truly say that they were born into the world to take no rest themselves and to give none to others.” Put differently, Athens posed a danger not primarily because of the size of its navy, the richness of its soil, or the number of its people. It stood to supplant Sparta as the dominant power for a broader and more encompassing reason: the superior qualities of its social and political system.

A remarkably similar story unfolded some 2,000 years later. The United States ultimately prevailed over the Soviet Union in the Cold War because it was more energetic, innovative, productive, and legitimate. Indeed, some commentators made the comparison directly, casting Washington as the Athens of that

drama to Moscow’s lethargic, conservative Sparta. The lesson of both historical rivalries applies to nearly all contests between world powers. Almost always, nations rise and fall because of a complex and interlinked set of social characteristics that produce national dynamism and competitive advantage.

Yet identifying these characteristics poses an analytic challenge. Most are abstract and ill defined. Many are also difficult, perhaps even impossible, to measure reliably, especially in historical cases where accurate data simply do not exist. In complex geopolitical interactions, tracing definitive causal relationships can be difficult or impossible. Partly as a result, many efforts to identify the factors underpinning dynamism and competitiveness have produced essentialist theories about national will or decadence or have posited the superiority of certain cultures.

Any attempt to overcome this challenge must first define the yardstick for national success or failure. Measures of economic growth or indicators of technological innovation might seem like obvious answers. But these are intervening factors: economic growth is a source of national power to be sure, but it is also a product of more fundamental factors that generate economic development. The same is true of innovation, military sophistication, productivity, and many other common output measures of national power.

An added complication is that some countries that score high on characteristics associated with national dynamism and competitiveness do not rise to the top of the global hierarchy. Some, such as the Netherlands and Singapore, are too small. Others, such as Sweden and South Korea, have lost or never had a drive for global

leadership. Still, they generate economic growth, technological sophistication, high living standards, national cohesion, and many other outcomes associated with success. A related issue is that factors other than societal characteristics can make a critical difference in specific conflicts: Athens had more geopolitical power and long-term cultural influence than Sparta, but thanks in part to a devastating pandemic and strategic blunders such as its invasion of Sicily, it did lose the Peloponnesian War. What all this means is that any effort to identify advantageous societal qualities must consider absolute measures of national strength, such as longevity and ability to provide security and prosperity, and relative ones, such as success or failure in bilateral rivalries or standing on the world stage.

Our RAND Corporation study looked at both. We examined the literature on the rise and fall of nations and on the sources of economic and technological progress, conducted a dozen major historical case studies, and supplemented that historical scholarship with more recent research on a variety of issues such as inequality, diversity, and national identity. We found that nations that demonstrate both absolute and relative forms of competitive success tend to reflect, either in specific periods of ascendancy or longer-term positions atop the global hierarchy, seven leading characteristics: a driving national ambition, shared opportunity for citizens, a common and coherent national identity, an active state, effective social institutions, an emphasis on learning and adaptation, and significant diversity and pluralism.

The causal links between these characteristics and national competitive success, while generally consistent, vary

across time and from country to country. And these are not the only variables associated with national success: other factors, such as natural disasters, pandemics, and geography, obviously matter. But a broad survey of the evidence suggests that these seven characteristics play an outsize role in determining the competitive fate of nations.

### **THE KEYS TO SUCCESS**

The first essential characteristic—arguably the foundation for all forms of relative national strength—is some version of driving national ambition. Externally, this trait produces a sense of national mission and greatness and a desire to influence world politics. Internally, it generates a national drive to learn, achieve, and succeed in everything from scientific research to business and industry to the arts. Driving national ambition demands the commitment of a whole people to gain knowledge about and leverage over their world: to explore and control, to understand and direct. This impulse can easily go wrong. Excessive national ambition is a common route to failure, whether through destructive wars of choice or imperial conquests that overextend a nation's resources and provoke destructive reactions. But without such ambition, countries seldom build potent domestic economic or technological engines or prevail in relative contests for power.

Much of the evidence for the importance of national ambition comes from the historical record and the nearly one-to-one relationship between competitive success and some version of this characteristic. Rome, for example, had a driving ambition: its rise to greatness

during the middle and late Republic and early Empire and its supremacy over the major powers of its day were propelled by a powerful societal custom that valorized control, mastery, and conquest. Similar kinds of ambition, including the domestic urge for accomplishment and discovery, can be found in all highly competitive nations—the United Kingdom, the United States, Meiji Japan, the city-states of the Italian Renaissance, and others. Deteriorating societies tend to reflect the withering of this adventurous spirit and everything that goes with it, including a thirst for improvement, an appetite for new knowledge, and a willingness to take risks.

In addition to having a driving national ambition, highly competitive societies tend to share opportunities widely among their citizens. They offer many routes to success and exclude relatively few segments of their population from productive roles—at least as compared with their main rivals. In so doing, they leverage a high proportion of their available talent and provide real prospects to a broad cross section of their population. Over time, societies that exhibit this trait have become more inclusive in various ways, including in granting full rights and opportunities to all social groups and in providing clear pathways to entrepreneurial and creative advancement. Rome, Meiji Japan, and even industrial-era Great Britain gained powerful advantage from versions of shared opportunity that would look incredibly restrictive to modern eyes. But by the standards of their time, these societies generally developed more ways of drawing productive talent from more people than did their competitors.

Throughout history, nations that share opportunity among their citizens have gained an edge over those that do not. Rome's policy of opening citizenship to conquered peoples and incorporating freed slaves into significant social roles gave it economic and military advantages. Likewise, the social mobility afforded by the United Kingdom and the United States gave these powers an advantage over more socially restrictive powers in continental Europe, contributing to their tremendous economic and scientific advancement in the nineteenth and twentieth centuries. Researchers have also found ample evidence for the importance of shared opportunity in narrower, issue-specific studies: inequality is correlated with slower growth and stunted innovation, for instance, and its absence is associated with creativity, innovation, and thus economic growth.

Another characteristic that stimulates national competitiveness is a shared and coherent national identity. The most competitive societies build their achievements on the foundation of a strong shared group identity—in modern settings, a sense of nationhood. Not only does this shared identity help nations avoid the competitive handicaps of political and ethnic fragmentation and conflict, but it also enables them to rally popular support for competitive efforts. The historian David Landes articulated the power of a common and coherent national identity beautifully in *The Wealth and Poverty of Nations*:

Britain had the early advantage of being a nation. By that I mean not simply the realm of a ruler, not simply a state or political entity, but a self-conscious, self-aware unit characterized by common identity and loyalty and by equality of civil status. Nations can



reconcile social purpose with individual aspirations and initiatives and enhance performance by their collective synergy. . . . Citizens of a nation will respond better to state encouragement and initiatives. . . . Nations can compete.

This same dynamic has fueled the rise of many other competitive powers throughout history. For example, Japan's ascent to industrial and military prominence in both the Meiji and the post-World War II periods was driven in part by a unifying national identity. That identity was always complicated by internal debates over the true nature of the Japanese character, but it nonetheless galvanized a national spirit of shared effort and sacrifice.

Highly competitive societies also tend to benefit from some version of an active state: a coherent, powerful, goal-directed, and effective government that invests in national capabilities and beneficial societal qualities. Active states have taken different forms in different countries and in different eras, yet they have generally nurtured public and private institutions that are essential for economic success and social stability. That has meant underwriting state-led development, cultivating the private sector, assuring national stability, promoting strong education systems, ensuring sufficient markets for revolutionary technologies, and rallying national willpower at critical moments. The most obvious example of an active state generating competitive advantage is the United States, from its early industrial policy to later state support of research and development and specific technologies. The city-states of the Italian Renaissance and the modern United Kingdom and Japan are also good examples. By contrast,

Habsburg Spain and the late Ottoman Empire never developed coherent, lasting approaches to sponsoring key elements of national power, and their competitiveness suffered as a result.

Economists have cataloged dozens of ways in which active states have helped catalyze growth in modern nations. Mariana Mazzucato, for instance, has shown how state support was critical for major advancements in information technology, green energy, and pharmaceuticals. The Internet and GPS technology both grew in part out of programs at the U.S. Defense Advanced Research Projects Agency, and government support helped spawn dozens of other technologies, including nuclear power and advanced aviation systems.

The active state in turn relies on another characteristic of competitive societies: effective social institutions. As the economists Daron Acemoglu, Douglass North, and James Robinson have demonstrated, strong and inclusive institutions foster economic growth, enhance the legitimacy of the state, respond to social challenges, and produce efficient military power. In the United Kingdom, for instance, a centuries-old national parliament, strong financial sector, and powerful navy all contributed to the country's economic and geopolitical rise. The decline and eventual collapse of the Soviet Union, on the other hand, revealed what happens when institutions become corrupt and ineffective. As with all characteristics associated with competitive advantage, effective social institutions alone are not enough to explain national success or failure; to matter, they must be paired with broader values and habits.

Most competitive societies share yet another characteristic: They tend to place

a strong social emphasis on learning and adaptation. They are fired by the urge to create, explore, and learn. Instead of being shackled by orthodoxy and tradition, they embrace adaptation and experimentation and are open to innovations in public policy, business models, military concepts and doctrines, and art and culture.

Throughout history—from Athens to Rome to industrial Great Britain and the United States—competitive success has been strongly correlated with widespread intellectual curiosity and commitment to learning. More recent studies provide evidence of a positive relationship between a commitment to modern technological education and growth and innovation, as well as one between educational attainment and growth.

Finally, most dynamic and competitive nations embody a significant degree of diversity and pluralism. A broad range of experiences and perspectives helps generate more ideas and talents that in turn sustain national power. Pluralism also strengthens organizations, such as firms and military branches, by forcing them to keep up with the competition. Diversity takes many forms: even ethnically and racially homogenous nations, such as the Victorian-era United Kingdom or contemporary Japan, can still produce wide political and commercial variety that drives national competitiveness.

Diversity in the modern sense also promises potential competitive advantages. Melting-pot societies tend not to adopt the kinds of rigid orthodoxies that suppress competition and innovation, and their ability to assimilate foreigners makes it easier for them to attract talent from abroad. These advantages have helped many great powers rise and retain their competitive advantage, and their

contribution to national vitality is corroborated by a mountain of empirical research on diversity in organizations.

### **A BALANCED RECIPE**

Each of these seven characteristics is associated with national competitiveness, but not even societies that boast all of them can be assured of long-term success. Nations that prevail in long-term competitions must achieve balance in each trait, since all of these advantages can spiral into excess and become liabilities. This is perhaps most true of national ambition, which can lead nations to overextend themselves. But it is also true of the other characteristics. Efforts to build an active state can, for example, produce a centralizing agenda that curdles into authoritarianism and intolerance. Effective institutions can become bloated and stifling bureaucracies. Too much pluralism can dissolve national unity. Most dynamic and successful nations have therefore sought all seven of the essential characteristics in healthy moderation.

They have also enabled the characteristics to reinforce one another. The most potent advantage of each trait arises not from its individual consequences but from its combined effect with those of the others. National ambition and a culture of learning and adapting strongly reinforce each other, as do an active state and effective institutions. Shared opportunity must be combined with some diversity and pluralism to gain its true value. This recipe for national success, with mutually reinforcing ingredients, shows up in all the competitively dominant societies, allowing for differences in era and approach. It mixes strong state-supported national ambition with varied and diverse human capital,

effective social institutions and rule of law, a spirit of shared national community, and a deeply felt reverence for experimentation and new ideas.

In order for this recipe to produce competitive success, a society must have a public-spirited elite class. Nations gain tremendous competitive advantage from an active, public-minded elite that is representative of the broader society and connected to it via avenues of social mobility. But when a nation's elite, or much of it, becomes corrupt or engages in rent-seeking behavior, that nation's vibrancy, resilience, and competitive edge will erode. Crucially, the quality of a nation's elite plays a vital role in determining the legitimacy of its governing institutions. Where elites are seen as corrupt and self-interested rather than devoted to the public good, societies and the institutions that govern them often atrophy or break down.

### **OVER THE HILL?**

All this should give American leaders pause. In the second half of the twentieth century, the United States mastered the recipe for national competitiveness better than any nation in history. And even now, aspects of American society continue to exhibit strong elements of the seven essential characteristics: social mobility, diversity and political pluralism, in particular. Despite their troubles, moreover, U.S. government institutions from the local to the federal level still rank high in global evaluations of transparency and effectiveness. But there are also serious reasons for concern. If the United States continues on its current trajectory, it will risk weakening or even losing many of the traits that for the last 75 years have made it the world's dominant power.

Four of the seven characteristics are especially at risk. One is national will and ambition. Survey evidence suggests that younger Americans do not view the United States, its values, or its ambitions in the same way as older Americans. A 2019 Eurasia Group Foundation survey, for example, found that fully 55 percent of Americans between the ages of 18 and 29 do not think the United States is "exceptional," compared with only 25 percent of Americans over 60. Belief in American exceptionalism is not the same as ambition, of course, but it does indicate confidence in the national mission. Taken together with the many surveys that show growing popular skepticism about the need to project U.S. military power overseas, Americans' waning confidence in their national mission suggests a country that is less self-assured than it once was. Across a wide range of issues, polls reveal that Americans generally have less faith in the future and in their major political and social institutions than they have in half a century. Such survey results have always ebbed and flowed, and Americans have had little faith in some institutions, such as Congress, for many decades now. But on the whole, public opinion polls paint a picture of a nation that is no longer sure of itself, much less of its right and duty to impose its will on the world.

The United States' shared national identity may be in even greater peril. Increasingly, polling data and other observable trends—such as "associative sorting," wherein people move to live closer to others with similar views—suggest that the country is becoming divided into mutually suspicious camps with little common ground. This national fragmentation has been accelerated by a siloed information

environment that allows disinformation and conspiracy theories to thrive.

Shared opportunity also shows signs of waning. Inequality is rising, and intergenerational mobility appears to be stalled. As the economist Raj Chetty and his collaborators at Harvard's Opportunity Insights project have shown, only half of young people today earn more than their parents did, compared with 90 percent of people born in 1940. Efforts to close opportunity gaps in areas such as access to venture capital have not been sufficient to reverse these troubling trends. At best, the level of shared opportunity has plateaued, and it may well be retreating after decades of progress.

Finally, the spirit of learning and adaptation in the United States is increasingly threatened by the corrosive information environment. Competitive societies are information-processing organisms whose various components take insights about the world and turn them into behavior. Yet the U.S. information marketplace is being corrupted, in part because of the tremendous amounts of misinformation sloshing through social media, the sensationalism of the news media, the fragmentation of information sources, and the emergence of a "trolling" ethic that encourages hostility and mean-spiritedness in public discourse.

The United States continues to exhibit clear societal strengths. But data on issues as varied as the explosive rise of bureaucratic and administrative functions across many U.S. public and private institutions and the growing proportion of investment devoted to so-called value extraction, including via stock buybacks, suggest that the country may be living off the accumulated benefits of long-standing advantages rather than generating new competitive

strengths. The United States displays some of the characteristics of a once dominant power that has passed its competitive prime: by some important measures, it is complacent, highly bureaucratized, and seeking short-term gains and rents rather than long-term productive breakthroughs. It is socially and politically divided, cognizant of the need for reforms yet unwilling or unable to make them, and suffering a loss of faith in the shared national project that once animated it.

At the same time that the United States has allowed some of its societal strengths to atrophy, its closest rival—China—has built up tremendous societal strengths in some areas but also allowed potentially fatal weaknesses to fester in others. China clearly benefits from a potent national will and ambition, both domestically and internationally, and a unified national identity among much of the population. It has an active state that is pouring resources into human capital, research and development, high technology, and infrastructure. Its subnational governments theoretically offer platforms for vibrant, pluralistic experiments in social policy. China has a proud tradition of learning and education, and its governing institutions appear to have a high degree of legitimacy: in the 2022 Edelman Trust Barometer, an online survey of public opinion in 28 countries, China scored toward the top of the rankings for average levels of trust in nongovernmental organizations, business, government, and media. In some ways, therefore, China seems to be cultivating a powerful combination of essential characteristics for competitive success and positioning itself to leap ahead of the United States.

Yet there are reasons to think China may falter. Opportunity there is widespread but still limited: inequality is

growing, the World Economic Forum ranks China 106th out of 153 countries on gender equality, and young people are increasingly anxious about lack of social mobility. On the World Bank's Worldwide Governance Indicators, which measure quality of governance, China continues to lag behind the United States. China has little diversity and shows even less interest in embracing it. Most critically, China is not achieving a healthy balance of these essential characteristics. Its ambition is becoming excessive and self-defeating; its proud national identity could curdle into a xenophobic and exclusionary one that limits learning from abroad. The Chinese state is also becoming hyperactive, seeking to dominate all areas of social and economic life, choking off policy innovation and adaptation, and imposing rigid orthodoxies that stifle free inquiry and innovation. These trends, along with other well-known challenges—including a rapidly aging population and burgeoning debt—should be red flags for China.

### A QUESTION OF WILL

For the United States, the warning signs come from the opposite direction, suggesting a once-dominant power congealing into immobility. Similar signs have preceded the decline of many other great powers and civilizations that lost their competitive standing. The process is a poisonous cycle, the mirror image of the positive reinforcement among beneficial traits that generates competitive advantage. Opportunity is hoarded. National willpower recedes as a society becomes self-satisfied and gripped by new orthodoxies, losing some its drive for international achievement and domestic intellectual, social, and scientific progress. Unity fragments under partisan or ideological

pressures. Social institutions become weak and inept or authoritarian and overly bureaucratic. The active state seizes up and is unable to take bold action to solve problems or create new opportunities.

To retain its competitive edge, the United States may need nothing less than a new national project to reinvigorate its essential characteristics. Our RAND study wasn't designed to generate specific policy proposals, but its findings hint at what such an initiative would require. Among other things, it should include a renewed commitment to ensuring that opportunity is shared and to unleashing the national creativity and power that reside in underserved and underachieving parts of the population. To cultivate a shared American identity, the United States must also find ways to celebrate American national community and spirit—and unapologetically promote unifying themes of American history and culture—while acknowledging the complexity of its past. And it will have to embrace a renewed, although limited and targeted, active role for the state by encouraging research, innovation, and new models of learning; wage war against bureaucratic excess and administrative constraints on creativity in the private and public sectors; and do more to combat misinformation and disinformation.

Such an agenda would be thoroughly nonpartisan. Some of these needed initiatives—those promoting a vibrant commercial market and a strong sense of national community and identity, for instance—are often associated with conservative agendas. Others are more commonly seen as progressive priorities, including efforts to share opportunity more widely and empower an active state to shape markets for the public good. That there is something for everyone

may be because the societal characteristics that drove the United States to predominance always reflected a productive and healthy combination of priorities from across the political spectrum: a nonpartisan view of American greatness that it is essential to recapture today.

The challenges confronting the United States are very real. The threats posed by China and Russia should not be exaggerated, but both countries have goals that are antithetical to American interests and values and to the post-World War II international order that has served the United States so well. But the prevailing view of what Washington must do in response—redouble investments in military power and embrace a new campaign to contain Russian and Chinese power—is at best only part of the answer. Such efforts could easily become counterproductive if they overextend the United States or yield new forms of domestic repression and orthodoxy. Far more important is a determined national effort to reinvigorate the qualities that made the United States the greatest engine of competitive dynamism in history.

In 2005, the historian Kenneth Bartlett ended a series of lectures on the Italian Renaissance with a melancholy meditation on the causes of national stagnation and decline:

The Renaissance ended because the sets of attitudes and beliefs and self-confidence, that energizing myth that [was] the motive power of the Renaissance mind, simply ceased to function. The Renaissance could not continue in the form that it had. It couldn't be sustained because ultimately the failure wasn't military or political or economic, although all of these provided the context of the truly great

failure which was psychological: The failure of will, the failure to confront the crises that the Italians knew that they were in, the decision—the hard decision, and the decision that is so natural in human nature—to accept what is known and safe and stable.

That fateful decision doused much of the intellectual fire that had fueled the period's remarkable progress. In Bartlett's words, it killed off the "self-reinforcing energizing myth" that had driven the Italians "to do such great things, to extend human experience so far in such a short period of time." That source of greatness was much broader and more fundamental than economic growth or military might. It was the essential dynamism and vitality of a society. And when it suddenly evaporated, it left Italy without ambition or a commitment to learning, fearful of experimentation and innovation, and captured by elites concerned with power and profit above all else.

The United States faces a strikingly similar peril today. The primary threat to U.S. dynamism and competitive standing comes not from without but from within: from changes in the character of American society. The next great challenge for the United States will be to stimulate a new era of competitive advantage, one that can revive the qualities that powered the country's rise in the last century as well as sustain them into the next. As it was for Italy at the end of the Renaissance, the ultimate question for the United States is not one of understanding or of capacity to tackle such an undertaking. The question is one of will: whether the United States has the reservoirs of creative determination, national solidarity, and political resolve to meet this weighty challenge. 🌐

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# What Money Can't Buy

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## The Limits of Economic Power

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*Barry Eichengreen*

Anyone who wonders about the potential of economic power need look no further than the response to Russia's attack on Ukraine. The dramatic measures taken by the United States and its allies illustrate the potency of the purse. The International Monetary Fund has forecast that asset seizures, financial sanctions, oil embargoes, and bans on the sale of military hardware, oil drilling equipment, and commercial airliner parts will cause Russia's economy to contract by nearly nine percent in 2022, a decline nearly three times as large as the one that Russia suffered in 2020 as a result of COVID-19. It is hard to imagine a more striking demonstration of the power of economic sanctions.

But anyone who wonders about the limits of economic power also need look no further than Russia. For all the damage that Western punitive moves have done, there is no indication that they can persuade the Kremlin to halt its war in Ukraine or even to modify its prosecution of the war.

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Two definitions of economic power together demonstrate its strengths and limitations. To paraphrase the economist Richard Cooper, economic power is the capacity to apply economic instruments to punish or reward another party. But another definition, as articulated by the political scientist F. S. Northedge, depicts economic power as the capacity of an individual, group, or government to use economic instruments to influence the decision-making of another actor, thereby causing the targeted party to modify its behavior. The United States and its NATO allies clearly possess economic power in Cooper's sense, in terms of the ability to use economic instruments to punish another party. It is less clear, however, that they are capable of exercising it in Northedge's sense, as a means of altering the behavior of an adversary.

The United States has a long history of wielding economic instruments to achieve its foreign policy goals. Precedents can be found at least as far back as the Embargo Act of 1807, when U.S. President Thomas Jefferson blocked imports in an effort to push back against British and French interference in U.S. trade. But there is an equally long history recording the inability of such instruments to alter the fundamental behavior of another party. The 1807 embargo, for instance, failed to hurt British and French interests and fueled, rather than prevented, conflict between the United Kingdom and the United States, culminating in the War of 1812. Nor does exercising economic power necessarily induce political shifts: economic penalties and rewards rarely lead to regime change, for example.





The application of economic power is changing in one crucial respect, however: the growing importance of international coordination. Economic power has always been more effective when exerted by a coalition of countries. But in a multipolar global economy, where essential goods and services can be sourced from an increasing number of national suppliers, the importance of coordination for effective application is greater still. Consider the Trump administration's tariffs on Chinese exports, which were imposed solely by Washington and produced no significant changes in Beijing's economic behavior. The Biden administration surely had that failure in mind when it enlisted the support of a broad coalition of like-minded governments before imposing sanctions on Russia. Going forward, U.S. economic power will depend more and more on Washington's ability to foster unity in an increasingly fractured world.

### **HAMMER, NOT SCALPEL**

Economic power is typically framed as an alternative to military power. Escalating economic sanctions on Russia, for instance, have been presented as an alternative to fulfilling the Ukrainian government's request that NATO establish a no-fly zone over Ukraine. This formulation is invoked to explain why governments, when embroiled in geopolitical conflicts, have increasingly turned to economic measures in recent decades rather than engaging in direct military conflict. Given the threat of nuclear war, the risk of escalation in a military confrontation between major powers is simply too great. That risk has been sufficient to limit the incidence and extent of such direct con-

frontations, as well as to weaken the credibility of threats of military action.

Economic measures, in contrast, can be surgically calibrated to limit the danger of escalation—or so say their proponents. They can be aimed at specific banks, politicians, and businesses. They can be tailored to maximize the pain felt by key decision-makers and their political allies while sparing the general public. Few armies can deploy their hardware with comparable precision and avoid inflicting civilian casualties. In his 2009 book, *Power Rules*, the foreign policy expert Leslie Gelb invoked these dissimilarities as explanations for “two earthshaking historical trends: the declining utility of military power and the concomitant rise of international economic power.”

In practice, however, the relationship between economic and military power is more complex. For one thing, economic and military measures have sometimes served as complements rather than substitutes. In 1990, for instance, the UN Security Council, responding to Iraq's invasion of Kuwait, authorized an embargo broadly prohibiting trade with both countries. It later authorized the use of military force in implementing the embargo. A series of subsequent resolutions instructed states to use their armies, navies, and air forces to interdict ships or aircraft carrying cargo to Iraq or Kuwait. More recently, the use of economic sanctions against Russia has not precluded the provision of military assistance to Ukraine; rather, the two go hand in hand as essential components of a larger strategy to punish Russia for its aggression.

Moreover, the idea that high-tech economic weapons will inflict pain exclusively on their intended targets is an illusion. The fact that Russia is on course to experience a nine percent fall in GDP, with an annual rate of consumer price inflation of around 20 percent, is an indication that the West's economic sanctions will hit not just Russian oligarchs but also ordinary households. In other cases, countries have imposed economic sanctions to purposely inflict widespread pain. During World War I, for instance, the Allies imposed a comprehensive blockade against Germany, seeking to ratchet up pressure on the country by creating economic hardship for ordinary citizens. That blockade is estimated to have caused some 750,000 civilian deaths from malnutrition and disease. Notably, however, there is no evidence that civilian hardship played a role in the German high command's decision to end the war.

In any case, the current economic sanctions against Russia have not come close to anything on the scale of a World War I–style blockade. They fall short even of the 1990 embargo against Iraq, which exempted only humanitarian assistance. The hope of some Western observers that the country might rise up against Russian President Vladimir Putin rests in part on the idea that Western sanctions will inflict widespread economic pain for which the Russian public will blame its leader, resulting in that leader's downfall. History suggests that this outcome is unlikely.

### **SANCTIONS WHIPLASH**

The hope, in most cases, is that economic sanctions will serve as a deterrent. Leaders, the logic goes, will hesitate to

embark on foreign policy adventures for fear that sanctions will galvanize public opinion against them and that this dissatisfaction will manifest itself on the streets and cost them votes. Unfortunately, authoritarian leaders who control their country's military, security apparatus, and media landscape are not subject to the whims of public opinion. The scholars Gary Hufbauer, Jeffrey Schott, Kimberly Ann Elliott, and Barbara Oegg found that sanctions are least effective, in the sense of changing a target's behavior, when levied against autocratic regimes. As the political scientists Jean-Marc Blanchard and Norrin Ripsman put it, sanctions are most likely to work when executive autonomy is limited or when the head of state is answerable to other government branches capable of channeling popular disaffection. The United States has repeatedly directed sanctions and related economic instruments against autocratic regimes, including in China, Cuba, Iran, Iraq, and Russia, among other states. It is not surprising that these efforts have met with limited success.

A further limitation of sanctions, when levied against an important and interconnected economy, is that they inflict damage that reverberates well beyond the targeted country. The EU, for instance, was initially reluctant to sanction Russian banks during the early stages of the Ukraine crisis for fear of harming its own banks that have claims on the country. Germany has likewise resisted banning imports of Russian natural gas for fear of causing a domestic recession.

Moreover, the impact of many economic measures may also be constrained by the adaptability of the global

economy. The effect of a European ban on Russian oil and gas would be limited insofar as energy exports could be rerouted, via tanker or pipeline, to countries not participating in the ban. Russia could ship additional natural gas to China, which is not a party to the sanctions regime, through the Power of Siberia pipeline, the existing natural gas link between the two countries, which was running at less than full capacity before the war. China and Russia have also reached a 30-year deal in which Russia will supply gas to China via a new pipeline—an agreement they formalized when Putin met with Chinese President Xi Jinping during the Beijing Winter Olympics, just days before Russia launched its attack on Ukraine. The deal will have clear geopolitical consequences: China will rely more on Russian energy imports and less on Middle Eastern supplies, whereas western Europe will increasingly look to the Middle East, instead of Russia, to meet its energy needs. But thanks to China, the impact on the Russian economy of a European embargo on Russian energy will be limited.

Commodities at large, beyond oil and gas, are fungible: they can be bought and sold on different markets. The implication is that economic power will be effective only when the countries exerting it form an encompassing coalition—a trick that is easy to attempt but hard to pull off. Although holdouts offering the targeted country alternative sources of supply or demand can be threatened with secondary sanctions, their application would risk igniting a two-front economic war. This could inflict yet more damage on the sanctioning countries.

It helps, of course, when a commodity required by the sanctioned country has only a small number of sources and when the governments of those source countries are allied. Advanced semiconductors and the equipment needed to produce them, for instance, can be sourced only from the Netherlands, South Korea, and Taiwan. Earlier this year, the U.S. Treasury Department worked hard to ensure that their governments were onboard with its sanctions on Russia. (It didn't hurt that Russia was only a minor market for these places.) But whether lack of access to the latest generation of semiconductors will be enough to effect a change in Russian foreign and military policy is questionable. Sometimes, in a pinch, less advanced semiconductors sourced from other countries will do, as U.S. automakers learned during supply chain disruptions in 2021. This option suggests that even concentrated economic pressure can have limited bite.

#### **HITTING A WALL**

Other developments in the economic war against Russia similarly illustrate the limitations of economic power, given the increasingly multipolar structure of the world economy. Take, for instance, the ban on Russian banks from SWIFT, the communications network that financial institutions use to transmit information about transfers, transactions, and payments. The political scientists Henry Farrell and Abraham Newman, in their work on weaponized interdependence, celebrate SWIFT as an example of how certain states are able to leverage interdependence to coerce others. They observe that SWIFT is an all but exclusive conduit for instructions

regarding cross-border financial transfers. Banning a country's banks, therefore, makes it difficult to pay for imports, whatever their source.

The United States, Farrell and Newman observe, is better able than other countries to wield authority over SWIFT and leverage it as a tool of economic might. U.S. financial institutions are its largest set of national shareholders. The single largest share of bank-to-bank financial transfers is conducted in dollars and therefore involves U.S. banks. SWIFT operates data centers in the United States, exposing it to the long arm of the U.S. legal system. U.S. sanctions against SWIFT itself, which Congress has threatened in the past, would pose an existential threat to the network. Smaller, less financially consequential states, in contrast, find it harder to bend SWIFT to their will. Farrell and Newman therefore refer to SWIFT as an "asymmetric network structure."

As they also observe, SWIFT is not an intergovernmental agency, as is the case, for example, with the Universal Postal Union. Rather, it is a cooperative of private financial institutions. Those private-sector entities regulate its economic power. Governments can enlist firms to do their bidding, of course. In wars, they do so by executive order. But whether they can order firms to stop doing business in a country because of, say, unsavory factory conditions or human rights violations is less certain. Whether companies will comply voluntarily is also unclear. Firms like keeping costs down. They find it difficult to seek new sources of products—thereby incurring higher

costs—when their competitors fail to do the same.

This last observation points to a key difference between military power and economic power: military power is concentrated, whereas economic power is disbursed. Armies are hierarchical. Soldiers follow commands from superiors. Battalions are instructed on how to coordinate. Market economies, on the other hand, are decentralized. Companies and households make decisions based on prices, profits, and values. When executives do not believe it is in their firm's interest to help the state in, say, ousting objectionable leaders or discouraging their foreign adventures, they are unlikely to contribute to their government's effort to leverage economic power to these ends.

At the same time, executives care about their company's image, and they are often willing to exert their own economic power against foreign actors to protect their company's reputation elsewhere. Numerous companies terminated their business in Russia following Putin's invasion of Ukraine—less, one suspects, out of sympathy for the besieged residents of Mariupol than for fear of how their customers would react to their profiting from continued Russian operations. The Russian case highlights an important point: economic power in the age of social media is rooted in public opinion and in consumers' purchasing power. A government that is unable to maintain popular momentum for a military campaign will likely be unable to sustain that campaign indefinitely. Public support is, if anything, even more essential to efforts to deploy economic power effectively.

### **SLIPPING THROUGH THE NET**

But the ban on Russian participation in SWIFT also reveals how actors can circumvent dependence on global networks. Economies are flexible; banks and firms regularly seek ways to avoid economic pinch points and find substitutes for scarce inputs. Before SWIFT transmitted its first message, in 1977, banks sent transfer instructions by telegraph and telex systems. This equipment still exists today, as does the Internet. Although these means of communication may be more costly and less secure than SWIFT, they can still be used to carry out the work of verifying details about consumer accounts and transmissions of funds. Iranian banks, for instance, remained able to do business with foreign banks, albeit at a cost, when they were cut off from SWIFT in 2012. Without other punitive measures, Russian banks will likely be able to do the same.

Moreover, the governments of countries cut out of these networks, and other governments simply wary of suffering the same fate, can invest in alternatives. Aware of its dependence on SWIFT and the dollar, China has been promoting the cross-border use of its currency, the renminbi, and developing an alternative to SWIFT and Western bank clearing-houses known as the Cross-Border Interbank Payment System (CIPS). To the extent that it succeeds, China, and potentially other countries, such as Russia, will be able to conduct international transactions in renminbi and transfer funds between domestic and foreign banks using a platform operated by the People's Bank of China. This practice will eliminate the ability of the United States to use

SWIFT to glean information about these countries' cross-border transactions and to impose costs on a country's banks and those doing business with them.

The People's Bank of China has been working to develop CIPS into a real alternative to the West's dollar-based clearing system since 2015. Seven years later, however, China's system is still far from an adequate substitute. The main U.S. clearing-house for large banking transactions, the Clearing House Interbank Payments System, known as CHIPS, processes 40 times as many transactions by value as does China's alternative and has nearly ten times as many participants. Despite the Chinese authorities' efforts to encourage cross-border use of the renminbi, the currency still accounts for barely two percent of global payments, a fraction of the dollar's 40 percent share. Ironically, these facts are known because CIPS still relies heavily on SWIFT's messaging system to send instructions regarding funds transfers to and from banks outside China. CIPS's potential should not be underestimated, however. Eventually, banks will install digital translators enabling them to use CIPS's Chinese-character-based messaging system, but that will take time. Similarly, the renminbi may one day come to rival the dollar as a vehicle for cross-border payments, although that may take decades.

Still, governments' attempts to use existing networks and institutions to project economic power will cause rivals to redouble their efforts to develop alternatives. This is not an argument against relying on economic instruments. But it is a reminder that governments wielding their economic power

aggressively will see others investing even more heavily in arrangements that render those instruments less powerful in the future.

### **DON'T BANK ON IT**

Policymakers continue to believe in the potential of economic pressure to sway foreign regimes and actors. Successive U.S. administrations, for instance, have deployed the United States' economic might in an effort to influence Chinese policy. The Trump administration slapped tariffs on Chinese goods to browbeat China into increasing its purchases of U.S. agricultural products. The Biden administration followed President Donald Trump's lead, prohibiting sales to China of high-tech equipment that could be used for surveillance purposes. In 2021, President Joe Biden issued an executive order denying 59 Chinese defense and surveillance technology firms access to U.S. investment in an effort to discourage the Chinese government from engaging in foreign intelligence activities abroad and committing human rights violations domestically.

The one thing these initiatives have in common, besides seeking to leverage economic power, is their failure to induce discernible changes in Chinese policy. A study by the economist Chad Bown concluded that Trump's tariffs and the subsequent trade deal with Beijing led China to purchase exactly zero additional U.S. agricultural exports or any other extra U.S. exports. Denying China access to advanced U.S. technology has not prompted Beijing to back away from its surveillance activities. Prohibiting U.S. investment in defense-linked

Chinese firms has not led China to modify its military posture, be it toward Taiwan or more generally.

Counterfactuals are difficult. One can imagine that Beijing would have imported even less from the United States, that its human rights violations would be even more egregious, and that its military posture would be even more aggressive had the United States not used its economic power. But even if that is true, the best that can be said for these policies is that they prevented bad situations from getting worse.

Perhaps it is unrealistic to expect economic instruments to bring about sharp changes in a strategic adversary's policies within a short period. Gelb, in *Power Rules*, cautioned that economic power does not produce results expeditiously. "Economic power functions best when you permit it to proceed slowly," he wrote, "allowing it to act like the tide." Armies can employ blitzkrieg tactics, but treasury departments must eschew quick victories and stay the course.

Economic power may also be more effective at encouraging behavioral and policy change when it takes the form of positive incentives and rewards for potential allies rather than sanctions and punishments for rivals. The Marshall Plan is the prototypical example of how economic resources can be used to encourage governments and societies to affiliate with a particular economic and geopolitical camp and align their policies accordingly. Trade deals may foster deeper economic relations among the signatories but also encourage closer cooperation on other, non-trade-related matters. China is vigorously pursuing such policies: witness its Belt and Road

Initiative, designed to spread its foreign investment around Asia and the world, and its participation in the Regional Comprehensive Economic Partnership, a market-access agreement that includes 15 Asia-Pacific countries but excludes the United States. The United States can and should exert its economic might for similar ends; if not, it may see its own power dwindle.

Thus, the main threat to effective U.S. economic power comes from the United States itself—from the danger that the country will once again turn inward economically and politically, as it did starting in 2017. Foreign trade and investment have always been a source of strength for the U.S. economy, and a country that is not economically strong cannot effectively wield economic power. At the same time, it is important to recognize that there is no fundamental reason why the United States should continue to play the dominant economic role that it did after World War II. Emerging markets will continue to emerge: a number of economic and demographic factors indicate that the United States will account for a shrinking share of global GDP over time. To effectively exercise economic power, therefore, the country will have to coordinate with others—as it has done recently by cooperating with the Netherlands, South Korea, and Taiwan on banning advanced semiconductor sales to Russia.

The future of U.S. economic power will hinge, in large part, on whether there is cooperation between the United States and the single biggest emerging market, China. Chinese banks appear to have acceded to Western sanctions barring business with

Russia, presumably for fear of provoking secondary sanctions. This result is an indication that economic power can be effective when it has a very specific focus—in this case, limiting a specific set of transactions, namely those by banks, with a specific country. It is also a reminder that United States derives much of its economic power from its engagement with the rest of the world. China's banks—and government—fear secondary sanctions precisely because business with their Western counterparts is so extensive and economically important.

The application of such secondary sanctions—or, more alarming, a direct confrontation over Taiwan, leading to broader U.S. sanctions against China—could cause that interdependence to unravel. China would retaliate with sanctions of its own, redouble its efforts to create self-standing economic and financial institutions, and demand that countries in its orbit operate exclusively through its institutions. The United States and its allies would presumably do likewise. U.S. economic leverage over China would diminish if the world bifurcated into rival camps, decreasing global interdependence.

And that would be the least of Washington's worries. The unraveling of global supply chains would place the U.S. economy at risk. Were China to liquidate its dollar reserves, possibly in anticipation of the imposition of U.S. sanctions, it could precipitate a global financial crisis of unprecedented proportions. To ward off those disasters, Washington would do well to remember that there is power in numbers and that the road away from interdependence is a dead end. 🌐

# Hierarchies of Weakness

## The Social Divisions That Hold Countries Back

*Amitav Acharya*

**I**n the year and a half since U.S. President Joe Biden came to office, the international order has often seemed defined by a resurgence of great-power conflict. China and the United States remain locked in a robust rivalry. In the wake of Russia's invasion of Ukraine, Washington and its NATO allies have been drawn into a large-scale war in Europe that pits the liberal West against an autocratic Russia. In this volatile world, many analysts suggest, the most important kinds of power are once again military and economic: the continued ability of the United States to limit the threat of authoritarian rivals depends on the extent to which it can maintain the most advanced armed forces in the world and ensure that its economic might can outpace China's.

Often overlooked in the commentary, however, are the ways in which military and economic power are dependent on social stability at home. Biden's populist predecessor, Donald Trump, exploited growing divisions over class, race, gender, and religion for political purposes. He

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also shunned multilateral alliances, pulled out of international agreements, and cultivated cozy relations with autocrats such as Saudi Crown Prince Mohammed bin Salman and Russian President Vladimir Putin, all in the name of rejecting the values of liberal elites and the existing Western establishment in favor of a more nationalist, "America first" vision. One result is that many U.S. allies today have much less confidence in the ability of Washington to uphold the liberal international order. Although they have welcomed renewed U.S. engagement in NATO and Europe, many European governments wonder how long the approach will last if another populist president is elected in 2024.

The United States is not alone in facing deep social polarization. In many countries—in both the West and other parts of the world—political and social cleavages over class, race, gender, and religion have become increasingly pronounced. Rising income inequality has slowed growth and social mobility since the Great Recession of 2008, not only in countries such as Italy, the United Kingdom, and the United States but also in Finland, Norway, and Sweden—countries known for their more equitable wealth distributions. Anti-Asian hate crimes have risen sharply in the United States and globally since the start of the COVID-19 pandemic. In recent years, China and India have also experienced rising income inequality, and they now rank at the bottom of the World Economic Forum's Global Gender Gap Index on women's health and survival. And religious freedom is diminishing in both of these countries, as well as in Hungary, Indonesia, and Russia.





These tensions underscore a key point: as Western governments focus on international conflicts, strategic competition, and disruptions to the global economy, an even greater threat to world stability may come from internal social divisions that sap countries' unity and strength. These forces are all part of what might be called "power within"—the domestic social hierarchies that determine who gets to have power and why. And just as these hierarchies can affect national prosperity and social stability, they can also enhance or constrain a country's influence in the world. For any given country, the internal distribution of power may be as important to international relations as external geopolitical and ideological forces, since social hierarchies are often more deep-rooted, ubiquitous, insidious, and enduring. It is vital, then, to address these cleavages if the United States and its allies are to defend and revive the liberal international order.

### **POWER WITHIN**

For decades, international relations experts have tended to downplay the role of domestic power relationships in shaping the world order. This has been true even with the growing recognition of soft power and other indirect forms of international influence: the concept of international power—whether exercised through coercion, persuasion, seduction, or cooperation—continues to be understood as fundamentally a matter of external relations between countries. Of course, political scientists have long recognized that foreign policy goals and outcomes are influenced by domestic politics. U.S. politicians often talk about getting their own house in

order as a prerequisite for maintaining U.S. primacy in world affairs; Biden's version of this has been to call for "a foreign policy for the middle class." But whether in the United States or elsewhere, such rhetoric has rarely led to a systematic and serious effort to understand how internal social hierarchies affect international power.

The neglect has two main causes. First, scholars and policymakers have tended to frame the concept of power around national security. National security has traditionally been defined as protecting a country's sovereignty and territorial integrity against foreign military threats, an approach that tends to ignore nonmilitary and noneconomic sources of power. Second, the idea of world order is often conflated with the distribution of military and economic capabilities among countries, without taking account of the variations in social hierarchies within them.

But as recent history has shown, analysts ignore these internal forces at their peril. There is now a significant body of data on the effects of social cleavages—whether based on class, race, gender, or religion—on political and economic power. Uneven access to new technology and education, for example, along with economic deregulation and cuts in welfare benefits, has led to a growing class divide between those at the top of social hierarchies and those lower down. According to the Pew Research Center, the income gap between the top ten percent and the bottom ten percent of earners in the United States increased by 39 percent between 1980 and 2018. The pattern is being repeated in middle-income and emerging-market countries, such as

China and India, with an estimated two-thirds of the global population now experiencing growing income inequality. A Credit Suisse report found that at the end of 2019, only one percent of the world's adult population controlled over 43 percent of global personal wealth, whereas 54 percent of adults accounted for just two percent.

Race has become another source of social and political division. Although racial disparities have never been far from the surface in the United States and other Western democracies, they have received much greater scrutiny in recent years. The Black Lives Matter movement has generated worldwide attention, driving activist campaigns to remove the statues of slaveholders and colonial rulers from public places, to seek reparations for the descendants of enslaved people, and to remove the names of avowed racists from venerable institutions. But these demands have also provoked a growing backlash from the nativistic right in both the United States and Europe, where racist violence has grown and racist ideas have increasingly come into the mainstream. In the United States, laws designed to protect the economic opportunities and voting rights of minorities have been rolled back.

Although distinct from those of race, hierarchies of caste—social groupings based on work or descent—continue to shape political and economic power in many parts of the world. The Asia Dalit Rights Forum—an organization devoted to defending the rights of members of low castes—has estimated that some 260 million people worldwide, the majority of them in India and Nepal, suffer discrimination on the basis of

caste identity. Under India's Hindu nationalist government, discrimination and abuse based on caste have grown in recent years, including a rise in violence against low-caste women.

Gender disparities and religious persecution also continue to be widely prevalent. Despite progress in recent decades, the World Bank has estimated that some 2.4 billion working-age women worldwide still lack full economic rights. In 95 countries, women have no guarantee of equal pay, and 76 countries restrict women's property rights. In the case of religion, repressive practices have not only persisted but appear to be growing. The Pew Research Center has found that between 2007 and 2017, the number of governments imposing "high" or "very high" levels of restrictions on religion increased from 40 to 52, and the number of countries experiencing high levels of "social hostilities involving religion" jumped from 39 to 56. Notably, in a number of major states, leaders increasingly invoke their country's civilizational past in ways that encourage discrimination against minority groups and faiths. Consider India, where attacks on Muslim-owned businesses and Christian schools have dramatically increased, or Turkey, which has witnessed a steady erosion of secular values and a growing repression of religious minorities, or China, which has confined hundreds of thousands of Uyghurs, Kazakhs, and other Muslim minorities in "reeducation camps."

These social fault lines can have a direct impact on international relations. A country that can effectively manage its social hierarchies can often enhance its productivity, economic growth, and

political stability, thereby increasing its influence in the world order. A country that cannot, however, may damage or undercut its international standing by eroding other countries' confidence in its stability or its commitment to international norms of social and human rights. Moreover, an unequal or socially restrictive internal distribution of power may also affect a country's long-term political and economic influence. It is particularly concerning, then, that domestic social disparities remain alarmingly high and in some cases appear to be increasing in many liberal democracies, including the United States.

### **DIMINISHING RETURNS**

The distribution of power within countries matters to the international order above all because of its far-reaching economic impact. A 2014 study by the Organization for Economic Cooperation and Development, for example, found that in the years leading up to the 2008 global financial crisis, rising income inequality lowered economic growth in Italy, the United Kingdom, and the United States by between six and nine percentage points; for Mexico and New Zealand, the loss was an even larger ten percent. The same study also found that France, Ireland, and Spain—countries in which income inequality was kept in check—benefited from higher GDP growth.

Many countries are also held back by racial disparities. Although the institution of slavery once propelled the United States and the West to global dominance—by cheapening the cost of labor and boosting overall exports—there is growing evidence that the long-term legacy of this unjust system

has been lower economic growth, higher social instability, and persistent racial hierarchies. The consulting firm McKinsey & Company has estimated that between 2019 and 2028, the wealth gap between Black and white Americans will cost the U.S. economy \$1 trillion to \$1.5 trillion in lost consumption and investment. In India, caste plays a similar role. Although caste can increase economic activity and efficiency in the short run—through networking and mutual support within castes—the rigid social hierarchies it creates restrict capital and labor mobility. As researchers have pointed out, persistent caste structures have likely reduced India's growth by undermining efforts to alleviate poverty and achieve greater income equality and by slowing the country's transition to a full-fledged industrial economy.

Similarly large is the impact of gender discrimination on national productivity. By restricting or limiting women's access to education, business, politics, and other areas of economic activity, gender discrimination also limits the labor supply. In developing countries, this is especially true in the agricultural sector, where women play a critical role. Constraints on women's participation in the workforce make it harder for low-income countries to move out of poverty. But gender barriers can affect advanced countries, as well. In 2016, the Organization for Economic Cooperation and Development estimated that gender discrimination costs the global economy as much as \$12 trillion per year, or about 16 percent of global GDP.

Religious restrictions also make the business environment in many coun-

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tries less attractive. In Egypt, for example, where tourists provide a major source of economic activity, the tourism sector has been negatively affected by religious conflicts, including violence between Christians and Muslims and between the Muslim Brotherhood and the regime of Egyptian President Abdel Fattah el-Sisi. Extensive religious restrictions in many Arab countries—such as subjecting financial instruments to the arbitrary and inconsistent regulations of Islamic law boards—have prompted young entrepreneurs to take their talents overseas. Sometimes, countries' repressive religious practices can also interfere with major international business deals. In 1999, Goldman Sachs had to restructure its initial public offering agreement with the China National Petroleum Corporation, which had investments in Sudan, after the U.S. Commission on International Religious Freedom recommended sanctions on Sudan for violations of religious freedom. (In the restructured deal, Goldman created a new company with CNPC that would operate only in China.) In all these ways, then, internal social divisions can have a direct impact on a country's economic performance and, hence, on one of the core forms of international power.

### **FROM CLEAVAGES TO CONFLICT**

But the effects of social cleavages can go well beyond economic growth. When social divisions are allowed to fester, they may threaten a country's underlying social and political stability. Recent conflicts in Myanmar, Sri Lanka, Syria, and Yemen, among other places, have been driven by internal religious divisions. In 2021, the schol-

ars Weiling Jiang and Igor Martek found that religious tensions ranked among the top four "significant political risk factors" affecting foreign investment in the energy sector in 74 developing countries. In countries with acute income inequality, citizens may also be more prone to rise up against the government to achieve economic, social, and political parity. Governments that promote or sustain racial and religious discrimination may also encourage higher rates of violence or extremism. Notably, during the COVID-19 pandemic in 2020, on average, a low-caste Indian person was victimized by a crime every ten minutes.

Gender-based violence has been particularly persistent in many countries. According to the World Health Organization, in 2021, 27 percent of women worldwide in the 15–49 age group who were in a relationship experienced some form of abuse, either physical or sexual violence or both, by an intimate partner. In the developing world, women suffer from specific forms of violence because of traditional social practices such as requiring dowries, honor killing, and genital mutilation. But violence against women is not restricted to poor countries. The UN Office on Drugs and Crime, for example, has included Australia, Sweden, and the United Kingdom among the countries that have the highest reported rates of sexual violence. The United States has a notably high rate of rape.

Social tensions at home are likely to play out internationally. States experiencing violence or social instability may be limited in their ability to project soft power; they may also be prone to creating bilateral tensions

and undermining free-trade negotiations and other forms of multilateral cooperation. Caste tensions are a perennial cause of political violence in India, which has undercut the country's global reputation.

### **MORE TOLERANCE, MORE POWER**

Although divisions over class, race, gender, and religion are increasing in many parts of the world, evidence suggests that when such tensions are reduced, countries can enhance their international power. For example, providing women with stronger legal rights and better access to health care, education, financial services, and technology is good not just for human rights or social justice but also for increasing productivity. According to Oxfam, rising numbers of women in the paid workforce in Latin America contributed to a 30 percent reduction in poverty between 2000 and 2010. In 2015, the McKinsey Global Institute estimated that the benefits to the world economy offered by the full inclusion of women in the paid workforce would equal \$28 trillion by 2025.

Countries can make similar gains by eliminating racial disparities. A study by the think tank PolicyLink and the University of Southern California found that removing the pay gap between racial groups would increase U.S. economic growth by 14 percent; the Washington Center for Equitable Growth has estimated that reducing racial, ethnic, and gender gaps could add \$7.2 trillion a year to U.S. GDP. Such benefits would need to be weighed against the costs of government spending to equalize pay, but the rewards would still be substantial.

Enhancing religious tolerance and freedom can also affect national economic competitiveness. Notably, none of the ten countries that the Pew Research Center has ranked as having “very high” restrictions on religion—a group that includes Algeria, China, Egypt, Iran, Malaysia, the Maldives, Russia, Syria, Tajikistan, and Turkmenistan—is among the top 20 most competitive countries in the World Economic Forum's Global Competitiveness Index.

### **A WARNING TO THE WEST**

Recognizing that power within can affect the external strength of countries offers important lessons for international relations. For the West, the growth of social cleavages should come as a warning. As a growing body of research shows, democracy does not inevitably lead to a reduction of hierarchies based on income, race, gender, or religion. Western democracies as a group have not performed particularly well in any of these areas. To the contrary, democratic institutions can provide cover for social divisions and allow them to be exploited for political gain, as has occurred in the United States and elsewhere in recent years. As these disparities become more pronounced, moreover, they also weaken the ability of the West to counter the spread of autocracy. For example, scholars have noted that rising income inequality has contributed to the eroding appeal of the liberal international order.

These trends are not irreversible. In contrast to their nondemocratic counterparts, advanced democracies have the capacity to self-correct and challenge persistent social hierarchies. Because of

their greater transparency, freedom of expression, and culture of open debate, democratic societies can expose these divisions, and their electorates can change governments that are viewed as unwilling or unable to address the root causes. Yet in the United States, Europe, and elsewhere, democracies have been constrained by political polarization and the rise of right-wing populism, which have made it increasingly difficult to form a political consensus to tackle cleavages based on class, race, gender, and religion. At the same time, many advanced countries have established economic interests that may have a stake in reinforcing existing practices.

Of course, internal power structures can also limit the influence of many non-Western countries. Brazil, China, India, Russia, and South Africa are particularly striking examples of countries with large economies and significant socioeconomic disparities based on caste, gender, and religious identity. According to the World Bank, South Africa is the most unequal country in the world, with the wealthiest one percent of the population holding 80.6 percent of the country's financial assets. This is important not only because of the link between income inequality and low growth but also because of the incentive it creates for corruption and instability. In many countries, moreover, different types of social hierarchies often appear in tandem and are mutually reinforcing. Income inequality, for example, often correlates with racial, caste, gender, and religious discrimination. Racial prejudice is a trigger for religious intolerance and vice versa. Hence, policymakers will need to develop strategies that

go beyond specific disparities to address the conditions that lead to all types of social hierarchies.

Reducing social cleavages will not eliminate differences in power and status among countries. But those that better develop and harness their power within by ensuring fairer wage distribution and curbing discriminatory practices—and therefore maximizing growth—are likely to enjoy greater stability and influence in the long run. Such efforts will need to begin at home, including in the United States and in many of its European allies. But given the prevalence of these divisions in many countries, lasting progress is unlikely to be achieved through domestic politics alone. Stepped-up global cooperation will be needed, including collective efforts to strengthen international human rights agreements and other international rules aimed at preventing discrimination on the basis of race, caste, gender, and religious belief. Since all countries, rich and poor, suffer from these disparities, reform efforts can and should be framed as a common challenge of humankind. By creating a more level playing field among social groups, the United States and other members of the liberal international order can better mobilize their power within and promote their collective ability to enhance stability and peace in the world as a whole. 🌍



# ESSAYS

*Even a weak Russia  
is not destined to suffer  
a Soviet Union–style  
breakup.*

– *Vladislav Zubok*



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# Can Putin Survive?

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## The Lessons of the Soviet Collapse

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*Vladislav Zubok*

On May 9, 2022, a column of tanks and artillery thundered down Moscow's Red Square. Over 10,000 soldiers marched through the city's streets. It was Russia's 27th annual Victory Day parade, in which the country commemorates the Soviet Union's triumph over Nazi Germany in World War II. Russian President Vladimir Putin, presiding over the ceremonies, gave a speech praising his country's military and fortitude. "The defense of our motherland when its destiny was at stake has always been sacred," he said. "We will never give up." Putin was speaking about the past but also about the present, with a clear message to the rest of the world: Russia is determined to continue prosecuting its war against Ukraine.

The war looks very different in Putin's telling than it does to the West. It is just and courageous. It is successful. "Our warriors of different ethnicities are fighting together, shielding each other from bullets and shrapnel like brothers," Putin said. Russia's enemies had tried to use "international terrorist gangs" against the country, but they had "failed completely." In reality, of course, Russian troops have been met by fierce local resistance rather than outpourings of support, and they were unable to seize Kyiv and depose Ukraine's government. But for Putin, victory may be the only publicly acceptable result. No alternate outcomes are openly discussed in Russia.

They are, however, discussed in the West, which has been near jubilant about Ukraine's success. Russia's military setbacks have reinvigorated the transatlantic alliance and, for a moment, made Moscow look like a kleptocratic third-rate power. Many policymakers and analysts are now dreaming that the conflict could ultimately end not just in a Ukrainian victory; they are hoping Putin's regime will suffer the same fate as

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the Soviet Union: collapse. This hope is evident in the many articles and speeches drawing comparisons between the Soviet Union's disastrous war in Afghanistan and Russia's invasion of Ukraine. It appears to be a latent motivation for the harsh sanctions imposed on Russia, and it underlines all the recent talk of the democratic world's new unity. The war, the logic goes, will sap public support for the Kremlin as losses mount and sanctions destroy the Russian economy. Cut off from access to Western goods, markets, and culture, both elites and ordinary Russians will grow increasingly fed up with Putin, perhaps taking to the streets to demand a better future. Eventually, Putin and his regime may be shunted aside in either a coup or a wave of mass protests.

This thinking is based on a faulty reading of history. The Soviet Union did not collapse for the reasons Westerners like to point to: a humiliating defeat in Afghanistan, military pressure from the United States and Europe, nationalistic tensions in its constituent republics, and the siren song of democracy. In reality, it was misguided Soviet economic policies and a series of political missteps by Soviet leader Mikhail Gorbachev that caused the country to self-destruct. And Putin has learned a great deal from the Soviet collapse, managing to avoid the financial chaos that doomed the Soviet state despite intense sanctions. Russia today features a very different combination of resilience and vulnerability than the one that characterized the late-era Soviet Union. This history matters because in thinking about the war in Ukraine and its aftermath, the West should avoid projecting its misconceptions about the Soviet collapse onto present-day Russia.

But that doesn't mean the West is helpless in shaping Russia's future. Putin's regime is more stable than Gorbachev's was, but if the West can stay unified, it may still be able to slowly undermine the Russian president's power. Putin grossly miscalculated by invading Ukraine, and in doing so he has exposed the regime's vulnerabilities—an economy that is much more interdependent with Western economies than its Soviet predecessor ever was and a highly concentrated political system that lacks the tools for political and military mobilization possessed by the Communist Party. If the war grinds on, Russia will become a less powerful international actor. A prolonged invasion may even lead to the kind of chaos that brought down the Soviet Union. But Western leaders cannot hope for such a quick, decisive victory. They will have to deal with an authoritarian Russia, however weakened, for the foreseeable future.

## CREATIVE DESTRUCTION

In the United States and Europe, many experts assume that the collapse of the Soviet Union was preordained. In this narrative, the Soviet Union had long been fossilized economically and ideologically, its military overextended. It took time for the economic flaws and internal contradictions to tear the state apart, but as the West increased pressure on the Kremlin through military buildups, the country began to buckle. And as national self-determination movements in the constituent republics gained steam, it began to break. Gorbachev's attempts at liberalization, well intentioned as they were, could not save a dying system.

There is some truth to this story. The Soviet Union could never successfully compete militarily or technologically with the United States and its allies. Soviet leaders performed Sisyphean labor to catch up with the West, but their country always lagged behind. On the battlefield of ideas and images, Western freedom and prosperity did help accelerate the demise of communist ideology, as younger Soviet elites lost faith in communism and gained a keen interest in coveted foreign goods, travel, and Western popular culture. And the Soviet imperial project certainly faced discontent and disdain from internal ethnic minorities.

Yet these were not new problems, and by themselves, they were not enough to rapidly force the Communist Party out of power at the end of the 1980s. In China, communist leaders faced a similar set of crises at roughly the same time, but they responded to rising discontent by liberalizing the Chinese economy while using force to put down mass protests. This combination—capitalism without democracy—worked, and the leaders of the Chinese Communist Party now rule cynically and profit from state capitalism while posing under portraits of Karl Marx, Vladimir Lenin, and Mao Zedong. Other communist regimes, such as the one in Vietnam, made similar transitions.

In reality, the Soviet Union was destroyed not so much by its structural faults as by the Gorbachev-era reforms themselves. As the economists Michael Bernstam, Michael Ellman, and Vladimir Kontorovich have all argued, perestroika unleashed entrepreneurial energy but not in a way that created a new market economy and filled shelves for Soviet consumers. Instead, the energy turned out to be destructive. Soviet-style entrepreneurs hollowed out the state's economic assets and exported valuable resources for dollars while paying taxes in rubles. They siphoned revenues to offshore sites, paving the way for

oligarchic kleptocracy. Commercial banks quickly learned ingenious ways to milk the Soviet state, leading the central bank to print more and more rubles to cover the commercial banks' financial obligations as the government deficit expanded. In 1986 and 1987, as vodka sales and oil prices fell and the country reeled in the wake of the Chernobyl nuclear disaster, the Ministry of Finance printed only 3.9 billion and 5.9 billion rubles, respectively. But in 1988 and 1989, when Gorbachev's reforms were enacted, the injections of ruble liquidity increased to 11.7 billion and then to 18.3 billion.

Gorbachev and other reformers plowed ahead anyway. The Soviet leader delegated more political and economic authority to the 15 republics that constituted the union. He removed the Communist Party from governance and authorized elections in each of the republics for councils vested with legislative and constitutional authority. Gorbachev's design was well meaning, yet it magnified economic chaos and financial destabilization. Russia and the other republics withheld two-thirds of the revenues that were supposed to go to the federal budget, forcing the Soviet finance ministry to print 28.4 billion rubles in 1990. The Soviet ruling class, meanwhile, decomposed into ethnic clans: the communist elites in the various republics—Kazakhs, Lithuanians, Ukrainians, and others—began to identify more with their "nations" than with the imperial center. Nationalist separatism rose like a flood.

The change of heart was particularly striking in the case of the Russians. During World War II, the Russians had done most of the fighting on behalf of the Soviet Union, and many in the West saw the communist empire as a mere extension of Russia. But in 1990–91, it was primarily tens of millions of Russians, led by Boris Yeltsin, who tore down the Soviet state. They were an eclectic group, including liberal-minded intellectuals from Moscow, provincial Russian apparatchiks, and even KGB and military officers. What united them was their rejection of Gorbachev and his failing governance. The Soviet leader's perceived weakness, in turn, prompted an attempted coup in August 1991. The organizers put Gorbachev under house arrest and sent tanks into Moscow in hopes of shocking people into submission, but they failed on both fronts. Instead, they hesitated to use brutal force and inspired mass protests against the Kremlin's control. What followed was the self-destruction of the Soviet Union's power structures. Yeltsin pushed Gorbachev aside, banned the Communist Party, and acted as a sovereign ruler. On December 8, 1991, Yeltsin and the leaders of Be-

larus and Ukraine declared that the Soviet Union had “ceased to exist as a subject of international law and geopolitical reality.”

But without Yeltsin’s declaration, the Soviet Union might have soldiered on. Even after it ceased to formally exist, the empire continued to live for years as a common ruble zone with no borders and customs. Post-Soviet states lacked financial independence. Even after national independence referendums, followed by celebrations of newfound freedom, it took decades for tens of millions of former Soviet citizens outside Russia to develop postimperial identities, to think and act like citizens of Belarus, Ukraine, and the other new states. In this sense, the Soviet Union proved to be more resilient than brittle. It was no different from other empires in that it took decades, not months, to disintegrate.

### **LEARNING FROM THE PAST**

Putin is deeply familiar with this history. The Russian president once declared that “the demise of the Soviet Union was the greatest geopolitical catastrophe” of the twentieth century, and he has structured his regime to avoid the same fate. He recognized that Marx and Lenin were wrong about economics, and he energetically worked to figure out how Russia could survive and thrive under global capitalism. He brought in capable economists and made macroeconomic stability and having a balanced budget among his top priorities. During the first decade of his rule, soaring oil prices filled Russia’s coffers, and Putin quickly finished paying back the \$130 billion in debt Russia owed to Western banks. He kept future debts to a minimum, and his government began to accumulate reserves in foreign currency and gold. Those precautions paid off during the global financial crisis of 2008, when Russia was able to comfortably bail out corporations vital to its economy (all of which were run by Putin’s associates).

After Putin annexed Crimea in 2014, the United States imposed sanctions on Russian oil and other industries, and oil prices plummeted as much as they did under Gorbachev. But the Russian government reacted skillfully. Under the leadership of Central Bank Chair Elvira Nabiullina and Finance Minister Anton Siluanov, the government allowed the ruble to devalue, restoring macroeconomic stability. After a brief dip, the Russian economy rebounded. Even during the COVID-19 pandemic, the country maintained strict fiscal discipline. While Western states printed trillions of dollars to subsidize their economies, Russia increased its budget surplus. The gov-

ernment's economists "are holier than the Pope in applying" the approach advocated by the International Monetary Fund, said Dmitry Nekrasov, a former Russian state economist. "During the last ten years there has been no country in the world that would have conducted such a consistent, conservative, and hard-principled policy drawn on [a] liberal model of macroeconomics." By 2022, Putin's state had accumulated more than \$600 billion in financial reserves, one of the largest stashes in the world.

But for Putin, the primary purpose of this sound financial policymaking was not to earn international plaudits or even to help ordinary Russians keep their savings. The point was to bolster his power. Putin used the accumulated reserves to restore the sinews of the authoritarian state by building up the security services, expanding Russia's military and armament industry, and paying off the head of Chechnya, Ramzan Kadyrov, and his paramilitary—another pillar of the Kremlin's dictatorship.

When Putin decided to invade Ukraine earlier this year, he believed Russia's large reserves would allow the country to ride out whatever sanctions resulted. But the West's financial response was far harsher than he expected—even ardent anti-Russian hawks in the West were surprised. The West and its allies cut off a number of major Russian banks from SWIFT, the international payment clearing network, and froze \$400 billion in Russian international reserves that were physically stored in G-7 countries. Washington and its allies also blocked a host of manufacturing companies from working with the Russian government or Russian businesses. Over 700 Western manufacturing and retail corporations walked out of Russia on their own, shamed by public opinion in their home countries. Large international transportation and financial firms and intermediaries stopped working with companies linked to Moscow. The decoupling is unlike anything the world has seen since the blockades of Germany and Japan during World War II.

In the West, these actions were met with euphoria. Pundits declared that Russia's currency would collapse and that there would be broad protests. Some even speculated that Putin could be toppled. But none of those scenarios came to pass. The ruble did initially tank, but Nabiullina and Siluanov acted quickly to save it. The Russian state suspended the currency's free convertibility and decreed that 80 percent of the oil revenue made by Russian companies and other ex-

porters (including revenue made in dollars) had to be sold to the central bank. It banned Russian citizens from wiring more than \$10,000 abroad per month, quashing the panicky rush to convert rubles to dollars, and the Russian currency eventually bounced all the way back to pre-invasion levels. Had Gorbachev been assisted by such expertise, the Soviet Union might have survived.

Russia's entrepreneurs, meanwhile, are learning how to adapt to their new reality. Many of the front doors to the international economy have shut, but Russia's businesspeople—including those who run its arms industry—know how to use backdoors to find what they need. Russian businesses also still enjoy legal access to multiple major economies, including those of China and India, both of which remain willing to do business with Russia. There is little economic reason for them not to: the strength of the ruble makes it profitable to buy Russian energy and other materials at a discount. The Russian government can then tax these profits and enforce their conversion to rubles, further maintaining the country's solvency. In the short term, then, it is unlikely that the West's harsh sanctions will kill the ruble and force the Kremlin to yield.

## **DIVIDE AND CONQUER**

Western penalties may not be shifting Moscow's thinking. But they are unmistakably hurting parts of Russia's population: namely, the country's elites and the urban middle class. Governments, universities, and other institutions around the world have canceled thousands of scientific and scholarly projects with Russian researchers. Services that were woven into the lives of many white-collar Russians—from Facebook to Netflix to Zoom—are suddenly unavailable. Russians cannot upgrade their MacBooks or iPhones. It has become extremely hard for them to get visas to enter the United Kingdom or the European Union, and even if they succeed, there are no direct flights or trains that can take them there. They can no longer use their credit cards abroad or pay for foreign goods and services. For the country's cosmopolitans, Russia's invasion has made life quite difficult.

At first glance, this might seem to bode ill for Putin. During the Soviet political crisis of 1990–91, members of the middle and upper classes played a huge role in bringing about the collapse of the state. Hundreds of thousands of educated Soviets rallied in the main squares of Moscow and St. Petersburg, demanding change. A new Russian



elite, one that embraced nationalism and cast itself in opposition to the Soviet old guard, gained power after elections held in 1990. The country's knowledge workers and intelligentsia teamed up with this new elite to help bring the empire down.

But Gorbachev tolerated, and arguably encouraged, such political activism. Putin does not. Unlike Gorbachev, who allowed opponents to contest elections, Putin has worked to prevent any Russians from emerging as credible threats—most recently, by poisoning and then arresting the opposition leader Alexei Navalny in August 2021. There have been no demonstrations against the war on the scale that Gorbachev allowed, thanks in no small part to the ruthless efficiency of Russia's security services. The enforcers of Putin's police state have the power and the skills needed to suppress any street protests, including through intimidation, arrests, and other assorted punishments, such as hefty fines. And the Russian state is aggressively pushing to control its people's minds. In the first days after the invasion, Russia's legislature passed laws criminalizing open discussion and the dissemination of information about the war. The government forced the country's independent news outlets to shut down.

But these are just the most visible tools of Putin's system of control. Like many other authoritarians, the Russian president has also learned to exploit economic inequality to establish a firm base of support, leaning into the differences between what the Russian scholar Natalya Zubarevich calls "the four Russias." The first Russia consists of urbanites in large cities, many of whom work in the postindustrial economy and are culturally connected to the West. They are the source of most opposition to Putin, and they have staged protests against the president before. But they constitute just one-fifth of the population, by Zubarevich's estimate. The other three Russias are the residents of poorer industrial cities, who are nostalgic for the Soviet past; people who live in declining rural towns; and multiethnic non-Russians in the North Caucasus (including Chechnya) and southern Siberia. The inhabitants of those three Russias overwhelmingly support Putin because they depend on subsidies from the state and because they adhere to traditional values when it comes to hierarchy, religion, and worldview—the kinds of cultural positions that Putin has championed in the Kremlin's imperialist and nationalist propaganda, which has gone into overdrive since the invasion of Ukraine began.

Putin, then, doesn't need to engage in mass repression to keep himself in command. Indeed, recognizing the seeming futility of oppos-

ing the state, many members of the first Russia who are truly fed up with Putin are simply fleeing the country—a development that Putin openly supports. He has declared their departure to be “a natural and necessary self-purification of [Russian] society” from a pro-Western “fifth column.” And so far, the invasion has done little to erode his support among the other three Russias. Most members of those groups do not feel connected to the global economy, and they are therefore relatively unbothered by Russia’s excommunication by the West via sanctions and bans. To maintain these groups’ support, Putin can continue to subsidize some regions and pour billions into infrastructure and construction projects in others.

He can also appeal to their conservative and nostalgic sentiments—something Gorbachev could never do. Russia’s turbulent history has led most of its people to want a strong leader and consolidation of the country—not democracy, civil rights, and national self-determination. Gorbachev, however, was no strongman. The Soviet leader was driven by an extraordinarily idealistic vision and refused to use force to maintain his empire. He mobilized the most progressive groups of Russian society, above all the intelligentsia and urban professionals, to help him yank the Soviet Union out of its isolation, stagnation, and conservative moorings. But in doing so, he lost the support of the rest of Russia and was forced out of office, leaving behind a legacy of economic crisis, statelessness, chaos, and secession. The life expectancy of Russians dropped from 69 years in 1990 to 64.5 years in 1994; for males, the plunge was from 64 years down to 58 years. Russia’s population declined, and the country faced food shortages. It is no wonder that so many Russians wanted a strongman like Putin, who promised to protect them from a hostile world and to restore the Russian empire. In the weeks after the invasion of Ukraine, the Russian people’s knee-jerk reaction was to rally around the tsar, not to accuse him of unprovoked aggression.

## **UNDER PRESSURE**

None of this bodes well for Westerners who want Putin’s system to fall—or for the Ukrainians fighting to defeat the Russian military machine. But even though the Soviet Union’s collapse may not offer a preview of Russia’s trajectory, that doesn’t mean the West’s actions will have no impact on the country’s future. There is a consensus among both Western and savvy Russian economists that in the long term, the

sanctions will cause Russia's economy to shrink as supply chain disruptions mount. The country's transportation and communications industries are especially vulnerable. Russia's passenger aircraft, fastest trains, and most of its automobiles are made in the West, and they are now cut off from the companies that know how to service and maintain them. Even official government statistics indicate that the assembly of new cars in Russia has fallen precipitously—at least partly because Russian factories are cut off from foreign-made parts. The Russian military-industrial complex may continue to go on unimpeded for now, but it, too, will eventually face shortages. In the past, Western companies continued to supply Russian arms manufacturers, even after Russia annexed Crimea. Now, if for ethical reasons alone, they won't.

The Russian energy sector has largely escaped the penalties, and as prices soar, it is making more money on exports than it did before the war. But eventually, energy output will also deteriorate, and the energy sector, too, will need spare parts and technological upgrades that only the West can properly offer. The Russian authorities have admitted that the country's oil output declined by 7.5 percent in March and may go down to levels not seen since 2003. Selling energy is likely to become a problem as well, especially if the European Union can wean itself from Russian oil and gas.

Putin denies that this will happen. At a meeting with the heads of the energy corporations, he referred to Western sanctions as “chaotic” and asserted that they would hurt Western economies and consumers more than Russians because of inflation. He even spoke about Europe's “economic suicide” and promised to stay ahead of the West's anti-Russian actions. He has also convinced himself that the West no longer calls the shots in the global economy, given the world's increasing multipolarity. He is not alone; even Russian economists who oppose Putin are convinced that as long as the country's finances are in good shape, the rest of the world—including some Western companies, traders, and intermediaries—will risk violating the sanctions to do business with Russia. As the global economy sags under the weight of the war and as international shock over the invasion fades, they believe that Russia's relationship with the world will return to normal, just as it did after 2014.

But the West appears prepared to keep going. One day before Putin celebrated Victory Day, the G-7 leaders issued a declaration in support of Ukraine in which they recognized the country as an ally of the West and pledged financial support, a steady supply of

arms, access to NATO intelligence, and, critically, continued economic pressure on Russia. The key of the declaration was, indeed, an announcement that they would work toward “Russia’s isolation across all sectors of its economy.” It echoes what Ursula von der Leyen, the head of the European Commission, described as the EU’s goals: to stop Russian banks “from operating worldwide,” to “effectively block Russian exports and imports,” and to “make it impossible for the [Russian] Central Bank to liquidate its assets.”

It won’t be easy to maintain this level of unity, nor will it be easy to expand the pressure to more of Russia’s sectors—such as by instituting an EU embargo on Russian oil and gas. Several countries, including Hungary (whose prime minister, Viktor Orban, remains one of Putin’s few friends in Europe) as well as Germany and Italy, are aware that an energy embargo would deal a huge blow to their economies. And even if Europe does institute an energy ban, it will not lead to an immediate crisis in Russia. The Soviet Union, after all, experienced a drastic drop in oil revenues in the late 1980s, but that is not what bankrupted the country. It was, instead, Gorbachev’s loss of control over the central bank, the ruble, and the country’s fiscal mechanisms. As long as Putin retains power over these assets and follows professional advice, a fall in energy profits will not undermine the resilience of his regime.

But if the West is serious about stopping Putin, it will have to try to keep up the pressure anyway. The longer the sanctions go on and the harsher they grow, the more the West’s anti-Russian economic regime will be implemented and internalized by other actors in the global economy. States and companies outside the West will grow more concerned about secondary sanctions. Some of the businesses may even worry about their reputations. The Chinese telecommunications giant Huawei has already suspended new contracts with Russia. Indian firms that indicated a readiness to buy Russian oil at a 30 percent discount are now under intense pressure to back off.

If the sanctions regime does drag on and becomes institutionalized, the West may yet succeed in undermining Putin’s system. Moscow’s talented economists will eventually become unable to shield the country from devastating macroeconomic impacts. Even with trillions of dollars in investment in infrastructure projects or other stimulus measures, the Russian state will be unable to overcome the effects of exclusion as the costs of these projects, especially with the accompanying corruption, balloon. Without foreign know-how, the efficiency of pro-

ducing Russian goods and their quality will return to where they were in the early 1990s. The three Russias dependent on the state for their livelihoods will then acutely feel their country's growing weakness and isolation in a way that, for now, they do not. People may even struggle to put food on the table. This would all seriously undermine Putin's story: that he is the essential leader of a "sovereign and great Russia," which has "risen from its knees" under his tenure.

In the long term, it is possible to imagine this seriously weakening the Russian state. Separatism could rise or return to some regions, such as Chechnya, if the Kremlin stops paying their residents' bills. Tensions will generally grow between Moscow—where money is amassed—and the industrial cities and regions that depend on imports and exports. This is most likely to happen in Eastern Siberia and the mid-Volga, oil-producing regions that could find themselves forced to give ever-larger shares of shrinking profits to the Kremlin.

Still, even a much weaker Russia is not destined to suffer a Soviet Union–style breakup. National separatism is not nearly as much of a threat to present-day Russia, where roughly 80 percent of the country's citizens consider themselves to be ethnic Russians, as it was to the Soviet Union. Moscow's strong repressive institutions could also ensure that Russia does not experience regime change, or at least not the same kind of regime change that took place in 1991. And Russians, even if they turn against the war, would probably not go on another rampage to destroy their own state.

The West should nonetheless stay the course. The sanctions will gradually drain Russia's war chest and, with it, the country's capacity to fight. Facing mounting battlefield setbacks, the Kremlin may agree to an uneasy armistice. But the West must also stay realistic. Only a hardcore determinist can believe that in 1991, there were no alternatives to the Soviet collapse. In fact, a much more logical path for the Soviet state would have been continued authoritarianism combined with radical market liberalization and prosperity for select groups—not unlike the road China has taken. Similarly, it would be deterministic for the West to expect that a weakened Russia would fall. There will at least be a period in which Ukraine and the West have to coexist with a weakened and humiliated but still autocratic Russian state. Western policymakers must prepare for this eventuality rather than dreaming of collapse in Moscow. 🌐

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# The Consequences of Conquest

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## Why Indo-Pacific Power Hinges on Taiwan

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*Brendan Rittenhouse Green and  
Caitlin Talmadge*

**O**f all the intractable issues that could spark a hot war between the United States and China, Taiwan is at the very top of the list. And the potential geopolitical consequences of such a war would be profound. Taiwan—“an unsinkable aircraft carrier and submarine tender,” as U.S. Army General Douglas MacArthur once described it—has important, often underappreciated military value as a gateway to the Philippine Sea, a vital theater for defending Japan, the Philippines, and South Korea from possible Chinese coercion or attack. There is no guarantee that China would win a war for the island—or that such a conflict wouldn’t drag on for years and weaken China. But if Beijing gained control of Taiwan and based military assets there, China’s military position would improve markedly.

Beijing’s ocean surveillance assets and submarines, in particular, could make control of Taiwan a substantial boon to Chinese military power. Even without any major technological or military leaps, possession of the island would improve China’s ability to impede U.S. naval and air operations in the Philippine Sea and thereby limit the United States’ ability to defend its Asian allies. And if, in the future, Beijing were to develop a large fleet of quiet nuclear attack submarines and ballistic missile submarines, basing them on Taiwan would

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This essay is adapted from their forthcoming article in *International Security* (Summer 2022).

enable China to threaten Northeast Asian shipping lanes and strengthen its sea-based nuclear forces.

Clearly, the island's military value bolsters the argument for keeping Taiwan out of China's grasp. The strength of that case, however, depends on several factors, including whether one assumes that China would pursue additional territorial expansion after occupying Taiwan and make the long-term military and technological investments needed to take full advantage of the island. It also depends on the broader course of U.S. China policy. Washington could remain committed to its current approach of containing the expansion of Chinese power through a combination of political commitments to U.S. partners and allies in Asia and a significant forward military presence. Or it might adopt a more flexible policy that retains commitments only to core treaty allies and reduces forward deployed forces. Or it might reduce all such commitments as part of a more restrained approach. Regardless of which of these three strategies the United States pursues, however, Chinese control of Taiwan would limit the U.S. military's ability to operate in the Pacific and would potentially threaten U.S. interests there.

But the issue is not just that Taiwan's tremendous military value poses problems for any U.S. grand strategy. It is that no matter what Washington does—whether it attempts to keep Taiwan out of Chinese hands or not—it will be forced to run risks and incur costs in its standoff with Beijing. As the place where all the dilemmas of U.S. policy toward China collide, Taiwan presents one of the toughest and most dangerous problems in the world. Simply put, Washington has few good options there and a great many bad ones that could court calamity.

### **TAIWAN IN THE BALANCE**

A Chinese assault on Taiwan could shift the military balance of power in Asia in any number of ways. If China were to take the island swiftly and easily, many of its military assets geared toward a Taiwan campaign might be freed up to pursue other military objectives. China might also be able to assimilate Taiwan's strategic resources, such as its military equipment, personnel, and semiconductor industry, all of which would bolster Beijing's military power. But if China were to find itself bogged down in a prolonged conquest or occupation of Taiwan, the attempt at forced unification might become a significant drag on Beijing's might.

Any campaign that delivers Taiwan to China, however, would allow Beijing to base important military hardware there—in particular, under-

water surveillance devices and submarines, along with associated air and coastal defense assets. Stationed in Taiwan, these assets would do more than simply extend China's reach eastward by the length of the Taiwan Strait, as would be the case if China based missiles, aircraft, unmanned aerial vehicles, or other weapons systems on the island. Underwater surveillance and submarines, by contrast, would improve Beijing's ability to impede U.S. operations in the Philippine Sea, an area that would be of vital importance in many possible future conflict scenarios involving China.

The most likely scenarios revolve around the United States defending its allies along the so-called first island chain off the Asian mainland, which starts north of Japan and runs southwest through Taiwan and the Philippines before curling up toward Vietnam. For example, U.S. naval operations in these waters would be essential to protecting Japan against potential Chinese threats in the East China Sea and at the southern end of the Ryukyu Islands. Such U.S. operations would also be important in most scenarios for defending the Philippines, and for any scenario that might lead to U.S. strikes on the Chinese mainland, such as a major conflagration on the Korean Peninsula. U.S. naval operations in the Philippine Sea will become even more important as China's growing missile capabilities render land-based aircraft and their regional bases increasingly vulnerable, forcing the United States to rely more heavily on aircraft and missiles launched from ships.

If a war in the Pacific were to break out today, China's ability to conduct effective over-the-horizon attacks—that is, attacks targeting U.S. ships at distances that exceed the line of sight to the horizon—would be more limited than commonly supposed. China might be able to target forward-deployed U.S. aircraft carriers and other ships in a first strike that commences a war. But once a conflict is underway, China's best surveillance assets—large radars located on the mainland that allow China to “see” over the horizon—are likely to be quickly destroyed. The same is true of Chinese surveillance aircraft or ships in the vicinity of U.S. naval forces.

Chinese satellites would be unlikely to make up for these losses. Using techniques the United States honed during the Cold War, U.S. naval forces would probably be able to control their own radar and communications signatures and thereby avoid detection by Chinese satellites that listen for electronic emissions. Without intelligence from these specialized signal-collecting assets, China's imaging satellites would be left to randomly search vast swaths of ocean for U.S. forces. Under these conditions, U.S. forces operating in the Philippine Sea would face real but tolerable



risks of long-range attacks, and U.S. leaders probably would not feel immediate pressure to escalate the conflict by attacking Chinese satellites.

If China were to wrest control of Taiwan, however, the situation would look quite different. China could place underwater microphones called hydrophones in the waters off the island's east coast, which are much deeper than the waters Beijing currently controls inside the first island chain. Placed at the appropriate depth, these specialized sensors could listen outward and detect the low-frequency sounds of U.S. surface ships thousands of miles away, enabling China to more precisely locate them with satellites and target them with missiles. (U.S. submarines are too quiet for these hydrophones to detect.) Such capabilities could force the United States to restrict its surface ships to areas outside the range of the hydrophones—or else carry out risky and escalatory attacks on Chinese satellites. Neither of these options is appealing.

Chinese hydrophones off Taiwan would be difficult for the United States to destroy. Only highly specialized submarines or unmanned underwater vehicles could disable them, and China would be able to defend them with a variety of means, including mines. Even if the United States did manage to damage China's hydrophone cables, Chinese repair ships could mend them under the cover of air defenses China could deploy on the island.

The best hope for disrupting Chinese hydrophone surveillance would be to attack the vulnerable processing stations where the data comes ashore via fiber-optic cables. But those stations could prove hard to find. The cables can be buried on land as well as under the sea, and nothing distinguishes the buildings where data processing is done from similar nondescript military buildings. The range of possible U.S. targets could include hundreds of individual structures inside multiple well-defended military locations across Taiwan.

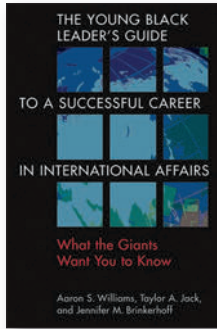
Control of Taiwan would do more than enhance Chinese ocean surveillance capabilities, however. It would also give China an advantage in submarine warfare. With Taiwan in friendly hands, the United States can defend against Chinese attack submarines by placing underwater sensors in key locations to pick up the sounds the submarines emit. The United States likely deploys such upward-facing hydrophones—for listening at shorter distances—along the bottom of narrow chokepoints at the entrances to the Philippine Sea, including in the gaps between the Philippines, the Ryukyu Islands, and Taiwan. At such close ranges, these instruments can briefly detect even the quietest submarines, allowing U.S. air and surface



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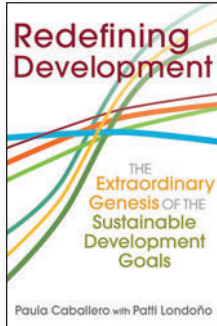
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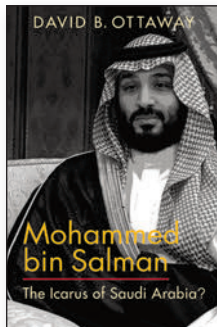


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assets to trail them. During a crisis, that could prevent Chinese submarines from getting a “free shot” at U.S. ships in the early stages of a war, when forward-deployed U.S. naval assets would be at their most vulnerable.

If China were to gain control of Taiwan, however, it would be able to base submarines and supporting air and coastal defenses on the island. Chinese submarines would then be able to slip from their pens in Taiwan’s eastern deep-water ports directly into the Philippine Sea, bypassing the chokepoints where U.S. hydrophones would be listening. Chinese defenses on Taiwan would also prevent the United States and its allies from using their best tools for trailing submarines—maritime patrol aircraft and helicopter-equipped ships—near the island, making it much easier for Chinese submarines to strike first in a crisis and reducing their attrition rate in a war. Control of Taiwan would have the added advantage of reducing the distance between Chinese submarine bases and their patrol areas from an average of 670 nautical miles to zero, enabling China to operate more submarines at any given time and carry out more attacks against U.S. forces. Chinese submarines could also make use of the more precise targeting data collected by hydrophones and satellites, dramatically improving their effectiveness against U.S. surface ships.

## **UNDER THE SEA**

Over time, unification with Taiwan could offer China even greater military advantages if it were to invest in a fleet of much quieter advanced nuclear attack and ballistic missile submarines. Operated from Taiwan’s east coast, these submarines would strengthen China’s nuclear deterrent and allow it to threaten Northeast Asian shipping and naval routes in the event of a war.

Currently, China’s submarine force is poorly equipped for a campaign against the oil and maritime trade of U.S. allies. Global shipping has traditionally proved resilient in the face of such threats because it is possible to reroute vessels outside the range of hostile forces. Even the closure of the Suez Canal between 1967 and 1975 did not paralyze global trade, since ships were instead able to go around the Cape of Good Hope, albeit at some additional cost. This resiliency means that Beijing would have to target shipping routes as they migrated north or west across the Pacific Ocean, likely near ports in Northeast Asia. But most of China’s current attack submarines are low-endurance diesel-electric boats that would struggle to operate at such distances, while its few longer-endurance nuclear-powered submarines are noisy and thus vulnerable to detection by U.S. outward-facing hydrophones that could be

deployed along the so-called second island chain, which stretches southeast from Japan through the Northern Mariana Islands and past Guam.

Similarly, China's current crop of ballistic missile submarines do little to strengthen China's nuclear deterrent. The ballistic missiles they carry can at best target Alaska and the northwest corner of the United States when launched within the first island chain. And because the submarines are vulnerable to detection, they would struggle to reach open ocean areas where they could threaten the rest of the United States.

Even a future Chinese fleet of much quieter advanced nuclear attack or ballistic missile submarines capable of evading outward-facing hydrophones along the second island chain would still have to pass over U.S. upward-facing hydrophones nestled at the exits to the first island chain. These barriers would enable the United States to impose substantial losses on Chinese advanced nuclear attack submarines going to and from Northeast Asian shipping lanes and greatly impede the missions of Chinese ballistic missile submarines, of which there would almost certainly be fewer.

But if it were to acquire Taiwan, China would be able to avoid U.S. hydrophones along the first island chain, unlocking the military potential of quieter submarines. These vessels would have direct access to the Philippine Sea and the protection of Chinese air and coastal defenses, which would keep trailing U.S. ships and aircraft at bay. A fleet of quiet nuclear attack submarines deployed from Taiwan would also have the endurance for a campaign against Northeast Asian shipping lanes. And a fleet of quiet ballistic missile submarines with access to the open ocean would enable China to more credibly threaten the continental United States with a sea-launched nuclear attack.

Of course, it remains to be seen whether China can master more advanced quieting techniques or solve a number of problems that have plagued its nuclear-powered submarines. And the importance of the anti-shipping and sea-based nuclear capabilities is open for debate, since their relative impact will depend on what other capabilities China does or doesn't develop and on what strategic goals China pursues in the future. Still, the behavior of past great powers is instructive. Nazi Germany and the Soviet Union both invested heavily in attack submarines, and the latter made a similar investment in ballistic missile submarines. The democratic adversaries of those countries felt deeply threatened by these undersea capabilities and mounted enormous efforts to neutralize them. A Chinese seizure of Taiwan would thus offer Beijing the kind of military option that previous great powers found very useful.

## Troubled Water

The first and second island chains



## NO GOOD OPTIONS

A fuller understanding of Taiwan's military value clearly bolsters the argument in favor of keeping the island in friendly hands. Yet just how decisive that argument should be depends, in part, on what overall strategy the United States pursues in Asia. And whatever approach Washington adopts, it will have to contend with challenges and dilemmas stemming from the military advantages that Taiwan has the potential to confer on whoever controls it.

If the United States maintains its current strategy of containing China, retaining its network of alliances and forward military presence in Asia, defending Taiwan could be extremely costly. After all, the island's military value gives China a strong motive for seeking unification, beyond the nationalist impulses most commonly cited. Deterring Beijing would therefore probably require abandoning the long-standing U.S. policy of strategic ambiguity about whether Washington would come to the island's defense in favor of a crystal-clear commitment of military support.

But ending strategic ambiguity could provoke the very crisis the policy is designed to prevent. It would almost certainly heighten pressures for an arms race between the United States and China in anticipation of a conflict, intensifying the already dangerous competition between the two powers. And even if a policy of strategic clarity were successful in deterring a Chinese attempt to take Taiwan, it would likely spur China to compensate for its military disadvantages in some other way, further heightening tensions.

Alternatively, the United States might pursue a more flexible security perimeter that eliminates its commitment to Taiwan while still retaining its treaty alliances and some forward-deployed military forces in Asia. Such an approach would reduce the chance of a conflict over Taiwan, but it would carry other military costs, again owing to the island's military value. U.S. forces would need to conduct their missions in an arena made much more dangerous by Chinese submarines and hydrophones deployed off the east coast of Taiwan. As a result, the United States might need to develop decoys to deceive Chinese sensors, devise ways to operate outside their normal range, or prepare to cut the cables that connect these sensors to onshore processing centers in the event of war. Washington would almost certainly want to ramp up its efforts to disrupt Chinese satellites.

Should the United States take this approach, reassuring U.S. allies would become a much more arduous task. Precisely because control of Taiwan would grant Beijing significant military advantages, Japan, the Philippines, and South Korea would likely demand strong demonstrations of a continuing U.S. commitment. Japan, in particular, would be inclined to worry that a diminished U.S. ability to operate on the surface of the Philippine Sea would translate into enhanced Chinese coercion or attack capability, especially given the proximity of Japan's southernmost islands to Taiwan.

Over the longer term, U.S. allies in the region would also likely fear the growing Chinese threat to shipping routes and worry that a stronger sea-based Chinese nuclear deterrent would reduce the credibility of U.S. commitments to defend them from attack. Anticipation of these dangers would almost certainly drive U.S. allies to seek greater reassurance from the United States in the form of tighter defense pacts, additional military aid, and more visible U.S. force deployments in the region, including of nuclear forces on or near allies' territory and perhaps collaborating with their governments on nuclear planning. East Asia could come to look much like Europe did in the later stages of the Cold War, with U.S. allies demanding demonstrations of their U.S. patron's commitment in the face of doubts about the military balance of power. If the Cold War is any guide, such steps could themselves heighten the risks of nuclear escalation in a crisis or a war.

Finally, the United States might pursue a strategy that ends its commitment to Taiwan and also reduces its military presence in Asia and other alliance commitments in the region. Such a policy might limit direct U.S. military support to the defense of Japan or even wind down all U.S. commitments in East Asia. But even in this case, Taiwan's potential military value to China would still have the potential to create dangerous regional dynamics. Worried that some of its islands might be next, Japan might fight to defend Taiwan, even if the United States did not. The result might be a major-power war in Asia that could draw in the United States, willingly or not. Such a war would be devastating. Yet upsetting the current delicate equilibrium by ceding this militarily valuable island could make such a war more likely, reinforcing a core argument in favor of current U.S. grand strategy: that U.S. alliance commitments and forward military presence exert a deterring and constraining effect on conflict in the region.

Ultimately, however, Taiwan's unique military value poses problems for all three U.S. grand strategies. Whether the United States solidifies its commitment to Taiwan and its allies in Asia or walks them back, in full or in part, the island's potential to alter the region's military balance will force Washington to confront difficult tradeoffs, ceding military maneuverability in the region or else risking an arms race or even an open conflict with China. Such is the wicked nature of the problem posed by Taiwan, which sits at the nexus of U.S.-Chinese relations, geopolitics, and the military balance in Asia. Regardless of what grand strategy Washington pursues, the island's military value will present some hazard or exact some price. 🌐

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# The Hollow Order

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## Rebuilding an International System That Works

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*Philip Zelikow*

**T**here they were, meeting in Beijing on February 4: Chinese President Xi Jinping and Russian President Vladimir Putin. Shortly before the start of the 2022 Winter Olympics, the two leaders released a remarkable 5,300-word joint statement about how the partnership between China and Russia would have “no limits.” The document went on at length about the two nations’ commitment to democracy. It called for a universalist and open world order, with the United Nations at the center. It stressed a commitment to international law, inclusiveness, and common values. It did all this even though Russia, as Xi and Putin both knew, was sending tanks and missile launchers to the Ukrainian border.

By comparison, the September 1940 joint statement issued by Germany, Italy, and Japan was a model of candor. The Axis powers were at least truthful when they announced that it was “their prime purpose to establish and maintain a new order of things.” Russia, meanwhile, has described its war against Ukraine as one of liberation. It decided that the country’s Jewish president was a Nazi. It declared that there was really no such thing as “Ukraine.” And it argued that a NATO alliance with a U.S. force commitment in Europe that was only one-seventh as large as it had been at the height of the Cold War was now an existential threat.

In their statement, China and Russia achieved peak hypocrisy. But the existing world order, which aspired to build a global commonwealth, had already been failing. The free world’s leaders had long ago started favoring performative commitments over the real action needed

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to safeguard the planet from crises. They expanded NATO without meaningfully responding to increasing Russian aggression. Distracted and chastened by misadventures in the Muslim world, Washington in particular disengaged from practical deeds, even as its rhetorical commitment to the international order varied. The United States' high defense spending had more to do with satisfying domestic constituencies than with supporting any positive strategy. The world's transition from fossil fuels to renewable energy sources was based on hollow pledges and private action. As support for globalization waned, the United States and other countries retreated from trade agreements and neglected international institutions for civilian and common economic action. The world's drive in the early years of this century to improve global health and human development petered out.

The emptiness of the supposed international system was especially obvious at the end of 2019, when the COVID-19 pandemic broke out. Charged with unprecedented global responsibilities, China and the United States stepped down, not up. Beijing withheld crucial

information about the outbreak. Washington withdrew from the World Health Organization just when it most needed U.S. leadership. Wealthy countries began a mad scramble to develop vaccines, but they moved too slowly to create other

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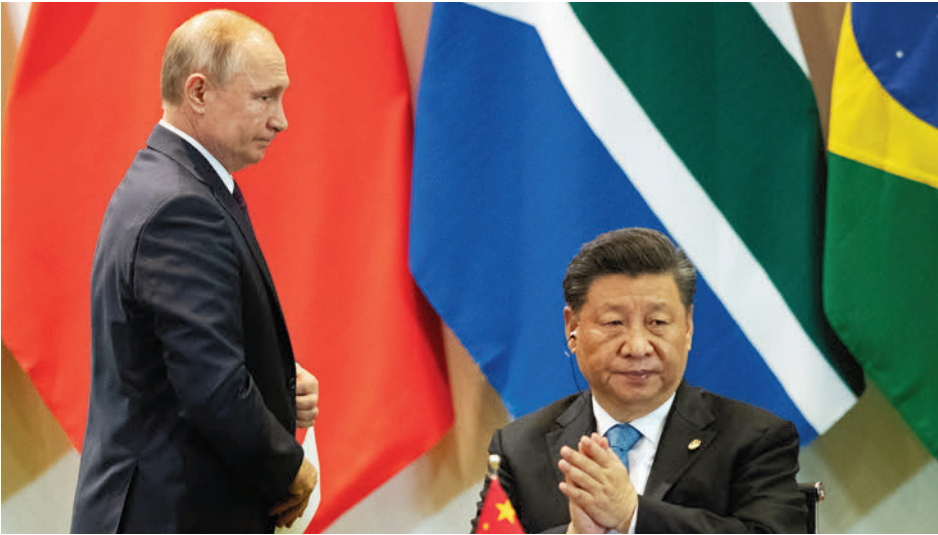
*The most powerful idealism has usually been the idealism of what works.*

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treatments and hoarded whatever shots and therapeutics pharmaceutical companies could produce, leaving the rest of the world behind. The best estimates suggest that the virus caused about 15 to 20 million deaths and trillions of dollars of economic damage.

By the spring of 2020, "for all practical purposes the G7 ceased to exist," wrote the foreign policy experts Colin Kahl and Thomas Wright in August 2021. "Pandemic politics," they continued, "ultimately dealt the final blow to the old international order."

Six months after they published those words, Russia invaded Ukraine. It was an attack that could truly have buried the old system, as Moscow believed it would. Yet Ukraine's inspiring fight has helped the G-7 roar back to life. Its members have organized an economic counteroffensive, and they have joined a coalition providing military aid. Amid the wreckage of so many past hopes, it is possible to imagine a reconstructed world order emerging from this crisis.



*The illiberal tide: Putin and Xi in Brasilia, Brazil, November 2019*

But for a new system to succeed, its would-be architects must organize actions, not more theatrics. Over the course of world history, the most powerful idealism has usually been the idealism of what works. Today, that means crafting a practical international order focused on a few basic problems that rally broad interest. Many leaders want to stop unprovoked wars of aggression, especially those that might spark a third world war. They would welcome a new vision of economic order that does not ignore security but is also not a huckster's promise that everything can be made at home. They would like to convert jolting energy shocks, such as the one caused by Russia's invasion, into a managed transition to a more carbon-free future. They want to be better prepared for the next pandemic. And most world leaders, and even many ordinary Americans, still hope that China will choose to be part of these solutions, not one of the wreckers of a new international system.

These aspirations may seem modest. They do not include holding war crimes trials or spreading democracy. But effective common action on just these items will be an enormous task. The world order is deglobalizing and dysfunctional, facing challenges that have never been more planetary in scope. Leaders must craft a system focused on actually addressing these issues rather than on striking the right pose.

### **ACTING AND ACTIONS**

The idea of a cooperative world order is, historically speaking, relatively new. The European empires created a globe-spanning system meant to be

stable and organized, but just to the point that it served their interests. It was not until the Paris Peace Conference of 1919 that nations began purposefully organizing an ambitious order. That era's peacemakers strained until 1925 to reconstruct a bitterly broken world amid the chaotic collapses of five dynastic empires. But by the end of 1933, these fragile efforts had been swept away by postwar resentments, fantasies of ethnic destiny and self-sufficiency, U.S. disengagement, and the despair of the Great Depression. The result was a second, even more destructive global conflict.

After World War II, the Cold War system that emerged dealt with a divided world. It generated real actions and functional institutions but mainly within two principal confederations: one led by the United States, and the other by the Soviet Union. These confederations organized themselves for global war and competed for advantage in the uncommitted, unaligned world, much of it newly freed by the collapse of European colonialism. But the economic systems of both confederations began unraveling during the 1970s, and the Cold War system itself disintegrated between 1988 and 1990.

International policymakers then set out to create a truly global commonwealth, working from 1990 to 1994 to build new institutions and to improve old ones. Those architects believed that Washington's role in the system would be central but not domineering. U.S. power, they understood, worked only when it combined the country's strengths—political, financial, and military—in partnerships with other states. They were mindful of Russian pride; indeed, those policymakers ensured that all the former Soviet Union's nuclear weapons went to Russia and that Moscow would be a party to and influential in all the pan-European arms control agreements and security systems. Amid the awful economic turmoil that accompanied the end of communism, the United States, Europe, the International Monetary Fund (IMF), and the World Bank offered Russia alone more than \$50 billion in financial assistance between 1992 and 1994.

These financial settlements of the early 1990s did much to build a better world, and they lasted for a generation. But from the start, they also bred complacency. Beginning during that decade, NATO allies mostly disarmed and looked to the United States for military defense that no longer seemed that necessary. The United States, for its part, was withdrawing most of its forces from Europe and only reluctantly led a peacemaking mission in the Balkans. That modest success was followed by years of indifference, drift, and growing hu-

bris, interrupted by the riveting, distracting shock of September 11. By 2006, as U.S. military efforts floundered in Iraq, sentiment had turned against the United States, and Americans were more anxious about foreigners and disillusioned about their own capacity to do good in the world. The world order and its operating institutions were left more and more on autopilot. Soon, performative gestures took the place of well-designed action.

Consider, for instance, the problem of European security. When the debate over NATO enlargement first heated up in the mid-1990s, the main arguments were performative on both sides. Poland wanted a symbolic connection to Western defense. Russia complained not about new foreign bases or nuclear deployments, which were limited by the NATO-Russia Founding Act of 1997, but about symbolic issues such as wounded pride and lost status in a country where everyone had grown up with “NATO” as a synonym for “enemy.”

What was concrete was the shift of former Soviet states toward Europe and away from Putin’s Russia. In 2005, an anti-Russian leader, Viktor Yushchenko, who had survived a mysterious poisoning the previous year, became president of Ukraine, defeating the more pro-Russian candidate, Viktor Yanukovich. The U.S. reaction was triumphalist. Putin began proclaiming a messianic creed of Russian fascism. In 2007, he suspended Russian compliance with the most important parts of the pan-European arms control and security system. He invaded Georgia not long after.

This was the time for NATO allies to start taking European security seriously again, not to stage more plays. Although the allies did not take practical steps to build more credible defenses, President George W. Bush pushed in 2008 for Ukraine to receive NATO membership, a call that predictably backfired. Allies such as Germany and France blocked any plan to advance Ukraine’s membership. Bush’s move thus fostered divisions among NATO members while failing to deliver any assurance to Ukraine, where the future remained very much in question. The Russia-friendly candidate, Yanukovich, then won Ukraine’s presidency in 2010. Four years later, he was toppled in a “revolution of dignity” after he withdrew from a process that would have brought his country closer to the European Union. That, in turn, led directly to the first Russian invasion of Ukraine.

The 2014 crisis had little to do with NATO. The triggering event was Ukraine’s attempt to associate with the EU and put Ukraine on an ir-

revocable path away from Russia. But Putin uses “NATO” the way Hitler used “Versailles”: as a secondary grievance for propaganda theatrics. Talk about NATO helps Putin and his minions obscure their real concern, which is that Ukraine may achieve democratic independence rather than be subjected to their dictatorial empire.

### **TALK IS CHEAP**

In the 30 years since the 1992 Earth Summit in Rio de Janeiro, the problem of how countries can source, supply, and pay for energy has become a defining planetary challenge. The main international response has been a wide commitment to decarbonization, expressed in international pledges. But these pledges are a façade. As the International Energy Agency recently pointed out, most of them are not underpinned by substantive policies, and if they were, they would still not be nearly enough to stop climate change. (Even Europe, the loudest voice for a green transition, has spent the last decade becoming more dependent on fossil fuels, particularly from Russia.) The world’s response to climate change, then, has been the geopolitical equivalent of a masque: a form of sixteenth-century aristocratic court entertainment, a dramatic performance featuring poetry and dumb allegorical shows, usually culminating in a ceremonial dance joined by the spectators.

Even the energy transition will not, by itself, stabilize the planet. It will shift dependence from fossil fuels to an even more pronounced reliance on certain metals used in green technology. In the relevant geology, mining, and mineral processing, China and Russia are in paramount positions. In the absence of any concerted action, the world is therefore trending toward addiction, and financial flows, to those new sources—China above all—in its carbon-free dreams. The architects of this system have done little to prevent such addiction.

It might seem that international economic management is a bright spot, an arena where there has been real action, not just a masque. To some extent, that’s true. In the wake of the 2008 global financial crisis, the main central banks jumped into action. Unlike in 1931, a financial panic that had earlier started in the United States and then spread to Europe did not lead to a world-crushing depression; instead, finance ministries and central banks coordinated to bail each other out. The G-20 was a genuinely useful forum to consider vital economic issues.

In the last ten years, however, the institutions for managing global capitalism have also become more stage than substance. The United

States is unable to join new trade agreements because of domestic opposition. Countries across the planet have piled up debt, and the current international economic system cannot coordinate how to wind it down or provide necessary relief. The operation of the World Trade Organization is coming to a halt, both because it is unable to modernize its rules and because the United States has deliberately paralyzed the WTO's dispute settlement system by refusing to confirm arbiters.

But nowhere has the hollowness of the current world order been more starkly revealed than in global health. After the SARS epidemic of 2003, amid concerns about China's role in informing the rest of the planet about the outbreak, the nations of the world ceremoniously enacted a set of "international health regulations," which defined the rights and duties of states to prevent and contain international public health dangers. The outbreak of COVID-19 revealed that the elaborate provisions for global surveillance and early warnings were a sham. The pandemic also showed that the planet's main public health agency—the World Health Organization—was weak, and it demonstrated that the world's major powers were far too self-interested to mount a truly global response. The most substantial investigation so far of the world's reaction to COVID-19, by an independent panel with access to the WHO's staff and documents, found it was "a preventable disaster." As they wrote, "Global political leadership was absent."

It's a conclusion that is difficult to escape. China's government has blocked proper investigations into the outbreak's cause and continues to stonewall the WHO. In his own gesture of theatrical pretense, then U.S. President Donald Trump moved to pull his country out of the WHO during the spring of 2020, turning the crisis into a blame game focused on China, with the organization as an accomplice. Yet the Trump administration had no alternative agenda for meaningful global action. Its acclaimed vaccine development program encouraged an "every country for itself" approach to acquisition and bypassed the challenge of developing effective therapeutics.

The Biden administration has tried to correct Trump's mistakes. In 2021, with due fanfare, the United States rejoined the WHO. It then focused on a rhetorically appealing G-20 health security agenda that called for spending more money on global readiness. But this agenda has turned out to be impractical in detail and ineffective in its results. At the October 2021 G-20 summit in Rome, the United States struggled to get the other countries to agree to even study its proposal.

## **ON THE CLOCK**

The need for a new world order is apparent, and policymakers are already at work trying to address the evident failures of the existing system. In doing so, they have again invoked values and philosophies. Biden, for instance, has described the war in Ukraine and tensions with China as part of “an ongoing battle in the world between democracy and autocracy.” French President Emmanuel Macron declared that Russia’s invasion had called democracy “into question before our eyes.”

Yet the best, most unifying organizing principle for what will be the fourth system of world order is practical problem solving. It’s convenient to perceive the world as apportioned into democracies and autocracies, but it is also self-regarding and divisive. People are more likely to come together around problems that command wide interest and embrace corrective actions that require wide participation. After years of theatrics that have resulted in catastrophes and growing fear, the system can no longer afford to place inclusiveness and symbolism ahead of teamwork and results.

To erect a new system, policymakers should start by addressing the most pressing current crisis: Ukraine. The military issues are already receiving intense attention. Yet economic issues may determine the outcome of the war as Russia tries to break not just Ukraine’s armed forces but its hope for a better future. The G-7 and allied countries must prepare a far-reaching strategy of Ukrainian reconstruction, tied to the ongoing process of EU accession for Ukraine and funded in part by frozen Russian state and state-related assets. Such an action, with expert assistance from EU staff and hundreds of billions of dollars in reconstruction aid, would be a peaceful counteroffensive on an epic scale. Ultimately, it would help Ukrainians believe and see that they can have a better future.

But to address the challenges Russia has created, the free world can’t focus only on Ukraine. Unless a fundamental change occurs in Moscow, the United States and Europe will also have to redefine their defense for the 2020s, from the Arctic to the Mediterranean (a process already underway), to deter further aggression. And sadly, when a leader such as Putin makes ominous threats about escalation, the United States and its friends must develop credible plans for a wider war with Russia.

For this new system to succeed at keeping the peace, the responsible countries will also need to engage in military planning beyond Europe. For example, the war in Ukraine affects diplomatic calculations

on all sides of the dispute over Taiwan's sovereignty. Because of the international response to aid Ukraine, Beijing can see that Japan, the United States, and other countries now feel much greater pressure to defend Taiwan. It is now harder for China to sustain the fiction that it can peacefully reunify the island with the mainland. The free world's ability to defend Taiwan has long involved considerable pretense, but the war in Ukraine has also revealed that well-prepared global economic action may be a more powerful and less provocative way to deter conflict than reliance on more traditional military tools. China should see that Japan and others around the world are preparing for the possible financial and commercial earthquake that would immediately accompany a war with the United States and Japan over Taiwan.

The invasion of Ukraine has also highlighted the need for more decisive, concerted action on the world's transition to clean energy. More than any other event since the Iranian revolution of 1979, the war spotlights the danger of relying too much on particular supplies of fossil fuels. Europe should end its dependence on Russian oil, gas, and coal as quickly as it can. At the global level, policymakers will need to boost fossil fuel supplies from more dependable sources in the short term, but they should treat these sources as "transition assets" (to quote the energy experts Jason Bordoff and Meghan O'Sullivan) that will be quickly wound down as governments embrace the transition. The switch to greener sources will need to include a renewed commitment to advanced forms of nuclear energy.

The energy transition will require much more concerted work to find, extract, and process diverse and secure supplies of the minerals needed for renewable sources. Both the United States and Europe know that they cannot let vital supply chains such as these operate according to market forces alone, since these markets have been distorted by vast Chinese state projects that operate with limited regard for the environment and for workers. Countries that regard each other as secure sources—and that accept the cost burdens of sustainable production—must form their own supply network with its own commercial system and pricing. Such a plan requires strong international

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*The resources and wisdom needed to solve many global problems are not concentrated in the United States.*

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participation. No country alone can source and process the metals needed for the transition to carbon-free energy.

Such trading among partners, or “friend shoring,” as U.S. Treasury Secretary Janet Yellen put it, is far preferable to the “Buy American” public procurement requirements that Washington has put in place to placate protectionists. Indeed, the United States is not self-sufficient with regard to almost any major global commodity. In this time of crisis, Americans may be tempted by the idea of a “Fortress America”—in which they bring all production onshore—but that is an illusion. The United States needs and benefits from production chains that run through other countries, whether for mineral resources or medical supplies. It needs to rebuild export markets shriveling from past trade war rhetoric and present interest-rate policies that boost an overvalued dollar. The best way to cope with deglobalization is to reglobalize among friends. As major firms operating around the world rethink their business models, the free world should create structures to help these companies see new opportunities.

For example, Germany’s new finance minister, Christian Lindner, has urged Europe to focus on renewing economic ties with the United States. “Especially now with the [Ukraine] crisis, it is becoming clear how important free trade is with partners in the world who share our values,” he told the German press, while calling on the United States and the European Union to restart negotiations on a trade deal. Such an agreement may be a hard sell in the United States, where politicians still peddle the myth of self-sufficiency. But plenty of middle-class Americans across the country know that the nations of the world are interdependent and that leaders must adjust their policies accordingly.

This includes in finance, where the G-7 and its partners will need to collaborate. They must manage the international financial coalition combating Russian aggression in Ukraine, and they must coordinate their policies to limit foreign exchange volatility as Washington raises interest rates. Critically, they need to consider how their actions affect developing states. “The West is grappling with stagflation,” wrote the economic journalist Sebastian Mallaby in *The Washington Post*. “But poorer countries face the far more acute prospect of food riots, debt crises, and even regime collapse.”

That doesn’t mean the G-7 needs to tear down the world’s economic architecture. In response to debt crises and the collapse of communism in the 1980s and early 1990s, the IMF and the World Bank

transformed themselves. The IMF became a lead crisis manager and established creditworthiness for stressed borrowing countries so they could tap private lenders. The bank rethought its approach to global development. Beyond its lending operations, it has become the most important focal point for ideas and advice to policymakers in developing countries. These existing institutions can again help organize common action and evolve once more. In spring of 2022, Robert Zoellick, former U.S. Deputy Secretary of State, suggested in these pages that the IMF start by convening meetings of the principal actors in the global financial system to address new shocks.

Leaders around the world are also still worried about biological security, another pandemic, or a resurgence of COVID-19. That means the United States and Europe will need to improve their coordination. Both went into this global crisis with superior assets. They had more of the best scientists, the best labs, and the best pharmaceutical producers than anywhere else on earth. They should have launched a global war effort; organized biomedical intelligence efforts; sized up the global requirements for vaccines, tests, and medications; and together arranged for acquisition and deployment of these health-care resources on a global scale. Instead, they mostly looked out for themselves.

It is not too late for them to improve their response to the pandemic. The U.S. government could still work with key partners, such as the EU's new European Health Emergency Preparedness and Response Authority, to set global targets for developing and distributing the vaccines, therapeutics, and diagnostics that different regions need. Then, together, the world's governments can replace the current vaccination and treatment free-for-all with a system in which countries coordinate their national investments and procurements.

## **IN IT TOGETHER**

It may be easy, and perhaps natural, for the would-be architects of the new system to organize it around Washington. But that would be a mistake. The enemies of this new order, united by their resentment of the United States, will seek to discredit it as just another effort to dominate global affairs. For this new order to be viable, it must be conceived in such a way that the charge is false.

The new order must also be decentralized to be effective; the resources and wisdom needed to solve many vexing problems are not

concentrated in the United States. For instance, on the enormous issue of defining rules for a digitized world, Washington has been confused and passive, despite—or perhaps because of—its dominance in such commerce. It is the European Union that has led the way. The EU’s General Data Protection Regulation, its Digital Services Act, and its Digital Markets Act created the standards that influence most of the world, including the Americas. Decentralized leadership has also proved critical to responding to Russia’s aggression in Ukraine. The nucleus of the emerging pro-Ukraine coalition, for instance, is not just the United States but the entire G-7, including the European Commission. South Korea and Australia should be invited to join this coalition as well.

Yet a revised system of world order shouldn’t be limited to the United States and its traditional allies. It must be open to any countries that can and will help attain its common objectives. India should have a place at any symbolic high table, for example, as a permanent member of the UN Security Council. But India’s leaders are still making their choices about their will and capacity to work on common problems. Even China should be welcome at the table. After much internal debate in the early 1990s, China’s leaders chose to play a major and often constructive role in the global commonwealth system that emerged after the end of the Cold War. In 2005, Zoellick famously urged Beijing to become a “responsible stakeholder.” As late as 2017, Kurt Campbell, who now leads Asia policy for the Biden White House, thought this invitation was a wise move.

But Zoellick’s words were a challenge, one that Beijing is failing to meet. China’s partnership with Putin—whom Xi described to the Russian press as “my best and bosom friend”—is the opposite of responsible. Instead, it shows that China and Russia lead a primarily Eurasian grouping of dangerous states, including the likes of Iran, North Korea, and Pakistan. Their loose confederation has its cross-purposes and is united mainly by hostility toward the United States. But it is building tighter links, better divisions of labor, and more effective coordination than existed among the Axis powers before or during World War II.

For these and other reasons, pessimists believe China is irredeemably hostile. They argue that China has written off the United States as a country determined to resist China’s rise and that Chinese leaders may feel they have little to lose by embracing confrontation. In this pessimistic view, China is trying to shift from the post-Cold War

era's emphasis on global interdependence toward a Chinese grand strategy of Eurasian dominance and growing national self-sufficiency. China's leaders are now using the pandemic to keep a chokehold on international travel and strengthen domestic surveillance.

That does seem to be China's current plan. But it is unclear whether this plan will work. It rests on unproven social, political, and economic premises that are starting to deeply disturb parts of Chinese society essential to its past and future success—such as the many residents of Shanghai who have been trapped during the city's draconian recent lockdown.

Chinese leaders may also have noticed that, in backing the Putin regime, they have tethered themselves to an adventurist Russian government that, for 30 years, has treated its neighbors much as Japan treated China between 1915 and 1945. For instance, Putin insists that Russia is not invading Ukraine. There is no war, he declared; there is only a “special military operation.” Many Chinese people will recall that, from 1937 to 1941, Japan insisted that it, too, was not invading China. There was no war, the Japanese said; there was merely a “China incident.”

Throughout the years of Japanese aggression, the United States defended China's territorial integrity. Even amid times of misjudgment and weakness, Washington maintained that stance, refusing in November 1941 to make a deal with Japan at China's expense. Ten days later, Japan went to war against the United States. As they watch what is happening in 2022, Chinese leaders can still reflect on this past and consider what decisions to make.

If Beijing charts a new course, it would not be the first time it has chosen to change. But if China does rejoin a system of world order, it should be a new one. The old system has fractured and must be remade. Facing tragic realities, the citizens of the free world must rebuild a global order that is practical enough to address the most vital common problems, even if it cannot and does not promise progress on all the values and concerns people face. This system will be far more effective if the world's most populous country joins it, and China faces another time of choosing. Regardless of China's participation, responsible actors must begin the hard, substantive work of protecting the planet from war, climate, economic, and health risks. The time for rhetoric and posturing is over. 🌐

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# Last Best Hope

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## The West's Final Chance to Build a Better World Order

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*Ivo H. Daalder and James M. Lindsay*

**R**ussia's invasion of Ukraine confirmed what has long been apparent: the rules-based order created after World War II is at risk of collapse. Russia is not content to be a responsible stakeholder in a system set up by others, and neither is China, which has supported Moscow's aggression. Both countries want to remake the order to serve their autocratic interests. As U.S. President Joe Biden said in Warsaw in March, the West now faces "a battle between democracy and autocracy, between liberty and repression, between a rules-based order and one governed by brute force."

History was not supposed to play out this way. In the heady days after the Cold War, the order appeared both unchallenged and unchallengeable. Washington believed that its unquestioned primacy allowed it to determine the future of other countries as well as its own. U.S. allies believed they had escaped the tragedy of great-power politics and had entered an era of self-enforcing rules. As time went on, however, habits of collaboration eroded, and the sense of common purpose faded. Rather than using the unique moment of U.S. dominance to deepen and strengthen the rules-based order, the West let that system wither.

Washington and its allies now have a chance to correct that mistake. Russian President Vladimir Putin's historic miscalculation to attack Ukraine has reminded them not just of their shared interests

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and values but also of the importance of acting collectively. The West responded to the invasion with a show of unity not seen since the height of the Cold War. The United States and its allies have levied unprecedented sanctions, begun weaning themselves off Russian energy, and shipped massive quantities of weapons to Ukraine. But this surprising unity may not last. As the economic pain of sanctions increases and the war settles into the prolonged battle of attrition that intelligence officials forecast, domestic and other concerns may start to sow divisions within the West.

Even as the West works to manage these differences, it should turn its newfound unity into a broader effort to save the rules-based order. The first step should be to create a new group, the G-12, that would bring together the United States and its leading allies in Asia, Europe, and North America. Every member of this group has a vital interest in preserving the order, and none of them can do it on their own. But formalized cooperation alone will not be enough. The United States and its allies will need to take the second step of learning from the mistakes they had made over the last three decades. Washington will need to curtail its penchant for unilateralism, to listen as well as talk, and to give as well as demand. Asian and European allies, for their part, will need to accept more responsibility and overcome their tendency to free-ride.

If the West sticks to its old ways, it will bungle something that is exceedingly rare in international politics: a second chance. Only by seizing the moment, learning from its errors, and acting collectively can the West rebuild an international order that promotes the rule of law rather than the law of the jungle.

## **WHAT A WASTE**

Although it emerged triumphant from the Cold War, the United States quickly squandered the extraordinary opportunity to turn its unipolar moment into something more permanent. It had outlasted the Soviet Union, unified Europe, and propelled a historic expansion of the global economy. This victory, which was both strategic and ideological, paved the way for the West to broaden and deepen the rules-based order of collective security, open markets, and respect for democracy, human rights, and the rule of law. In the early 1990s, democracy was spreading, and free markets were emerging. Even old enemies, such as Russia, and possible future rivals, including China,

appeared to have no choice but to embrace the free flow of capital, goods, ideas, and people—or be left behind. Cooperation and conciliation seemed set to replace competition and conflict as the defining features of world politics.

But events didn't go as planned. The United States overplayed its hand, believing that its role as the world's "indispensable power" allowed it to hurry history along. A series of military interventions launched in the name of stability and democracy often produced more chaos and misery than security and riches. It hardly helped that even as it trumpeted a rules-based order, Washington regularly ignored rules it disliked—as when it intervened in Kosovo in 1999 and Iraq in 2003 after failing to secure a UN mandate, and when it tortured detainees during its war on terrorism. The United States refused to join new cooperative arrangements on nuclear testing, arms control, prosecuting war crimes, and regularizing trade in the Asia-Pacific, fearing that such commitments would limit its freedom of maneuver. Washington felt justified because it had convinced itself that its own motives were pure. "We stand tall and we see further than other countries into the future," U.S. Secretary of State Madeleine Albright proclaimed in 1998. But friends and foes alike did not see strength and integrity; they saw hubris and hypocrisy.

Washington was hardly alone in its failure to make the most of the moment created by the Soviet Union's collapse. Its allies in Europe suffered from delusions of their own, believing that the end of the continent's Cold War divisions meant the end of conflict. They saw themselves as postmodern states that could rely on cooperation and multilateral institutions to maintain peace. Although they recognized that terrorism and nuclear proliferation remained threats, they were content to let Washington address such problems. They also assumed that economic engagement, arms control, and dialogue would transform Russia into a partner and that China's need for access to their markets and technology would turn it into a stakeholder in the rules-based order. With great-power competition seemingly relegated to the dustbin of history, economic interests could now drive foreign policy.

American hubris and European wishful thinking ruled the day, and leaders in Western capitals ignored signs that great-power competition was far from dead. Russia invaded Georgia in 2008, and then six years later, it annexed Crimea and fomented a sepa-

ratist rebellion in Ukraine. These acts elicited mostly symbolic responses from the West. Rather than reducing its dependence on Russian oil and gas, much of Europe increased its reliance because, as the German chemical executive Martin Brudermüller put it, “cheap Russian energy has been the basis of our industry’s competitiveness.” China, for its part, conducted unprecedented acts of economic espionage, coerced its trading partners, laid claim to the South China Sea, imprisoned more than one million Uyghurs, and crushed democracy in Hong Kong—a string of outrages that earned Beijing little more than mild rebukes. Wall Street relied ever more on Chinese riches, and in 2020, the EU signed a new trade and investment deal with Beijing.

These developments gradually eroded the core features of the rules-based order. The ability of great powers to use force with impunity against smaller neighbors exposed the weaknesses of the UN Security Council and other collective security institutions. The proliferation of mercantilist trade practices highlighted the gaps in global trading rules. The economic disruptions caused by unfettered globalization fueled populist nationalism and claims by autocrats that liberal democracy was decadent and obsolete. When the COVID-19 pandemic hit, countries responded not by acting collectively against a common threat but by pursuing “every country for itself” policies. The world order, in short, was unraveling.

The invasion of Ukraine roused the West from its slumber. The speed, scale, and scope of the U.S.-led response surprised Western leaders almost as much as they surprised Putin. Economic sanctions are pummeling the Russian economy. Europe is rapidly cutting imports of Russian energy, sharply reducing Moscow’s leverage. NATO is bolstering its presence from the Baltics to the Black Sea and is preparing to welcome Finland and Sweden as new members. And Ukraine, aided by new weapons shipments and Western intelligence, has successfully resisted a much larger Russian military.

Much of the West’s diplomatic energies will rightly go into sustaining its support for Ukraine. Equally important, however, is for Western leaders to think more ambitiously about restoring the crumbling rules-based order. By reminding Western democracies of their common interests and their strength when they work together, Putin’s strategic blunder has created an opportunity to heal three decades’ worth of self-inflicted wounds.



## **BETTER TOGETHER**

The first step will be to institutionalize the cooperation that has emerged in the wake of Russia's invasion of Ukraine. The best way to do this is for the United States and its advanced democratic allies in Asia, Europe, and North America to create a G-12 consisting of the current G-7 members (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) plus Australia, New Zealand, South Korea, and the EU. NATO would have a seat at the table for all security-related discussions.

Establishing a G-12 is the last best hope to reinvigorate the rules-based order. The prospective G-12 member states and institutions have the capacity, the interest, and the ability to work collectively to do so. They are home to nearly one billion people and account for more than 60 percent of global GDP and military spending. China and Russia together are more populous but constitute barely 20 percent of the world's economic output and just 17 percent of its military spending. As their reaction to Russia's invasion of Ukraine has shown, the potential members of the G-12 all recognize that their security and prosperity rest on finding ways to avoid returning to a world in which brute force replaces the rule of law. And they were able to react so quickly against Russia because they had a long history of working cooperatively on a wide variety of issues, whether in their bilateral relations or in multilateral forums.

What these countries have not done is work together intentionally as a group or for the specific purpose of strengthening the global order. The formation of a G-12 would remedy that failing. In contrast to a loose association such as the G-7, which has traditionally approached global issues in an ad hoc fashion, the G-12 states and institutions would commit to identifying global challenges, assessing available responses, and responding in a coordinated fashion. The arrangement would not require a formal treaty, structure, or secretariat. Instead, it would rest on a joint commitment among G-12 members to base their engagement abroad on the principle that cooperation and coordination among themselves is vital to achieving their objectives and maintaining the rules-based order. The G-12 heads of state should meet at least biannually, and their foreign, defense, economic, and other ministers should meet more frequently—much as the Council of the European Union conducts its business across a full range of issues.

Policy coordination would need to start in the foreign policy sphere. G-12 members would need to come together on foiling Russian revanchism, competing with China, halting nuclear arms proliferation, countering terrorism, fighting pandemics, and curbing climate change. The post-invasion coordination at the UN and within the G-7 and NATO needs to become the norm for the G-12 on all major issues. To facilitate common action, the G-12 countries should caucus with the UN, the World Trade Organization, the international financial institutions, and other international organizations to develop common positions and agree to concerted actions on critical issues.

In the economic sphere, the G-12 would need to coordinate on trade, investments, export controls, digital commerce, and other critical economic issues. The COVID-19 pandemic and the war in Ukraine have reinforced economic nationalism and protectionism, disrupted trade, and upended supply chains, slowing growth and spurring inflation. Growing security concerns about intellectual property and critical technologies have further limited trade, especially with U.S. rivals such as China and Russia.

The G-12 should become an engine for economic cooperation and growth, pushing against the temptation to turn inward. A crucial first step would be for the United Kingdom, the United States, and the EU to accede to the Comprehensive and Progressive Trans-Pacific Partnership trade agreement, which already includes Canada and other potential G-12 nations in Asia. The United States and Europe should also revive negotiations on a trade and investment pact, thus complementing the EU's existing bilateral pacts with Australia, Canada, and Japan. G-12 members would also need to coordinate their policies on export controls and foreign investment to ensure they maintain their competitive edge over China. And they would need to consolidate supply chains for critical goods—such as semiconductors, robotics, artificial intelligence, and rare-earth metals—within the Western world.

In the security field, the United States would remain first among equals within the G-12. It alone has a military with true global reach. Even so, in the wake of Russia's invasion of Ukraine, other members of the prospective G-12 have finally made good on their promises to spend more on defense. Japan is considering possibly doubling its military expenditures over the next few years, and Germany's decision after the invasion to increase its defense budget makes it the third-largest military spender in the world. These outlays will add as much as \$150 bil-

lion to what the West now spends annually on defense, making Germany and Japan far more effective security partners for the United States. The principal channels for enhancing defense capabilities among G-12 members would remain the same—defense arrangements through NATO and bilateral agreements with the United States—with the addition of greater coordination within the EU. But the G-12 would provide a useful forum for driving these efforts and ensuring that transatlantic and transpacific security policies were far more aligned than is currently the case. Increased military capabilities and enhanced coordination would greatly improve the chances of deterring and, if necessary, defeating any further aggression by Russia, China, or other countries.

As important as formalized cooperation will be, the success of the G-12 will depend on the United States and its allies abandoning the bad habits they have developed since the end of the Cold War. Washington has too often acted unilaterally, believing that leading means deciding what to do and commanding others to follow. Consultations have often taken the form of informing others of decisions already made rather than developing new positions together. This type of behavior was on display in the Trump administration's decisions to walk away from the Paris agreement on climate change and the Iran nuclear deal and the Biden administration's decision to hastily withdraw U.S. troops from Afghanistan. Conversely, U.S. allies have frequently shirked responsibility for tough decisions, free-riding off of U.S. security pledges while allowing their own hard power to atrophy. The G-12 would need to be a partnership of equals—in ways its members have long professed to want—with Asian and European members assuming more of the burden of acting and the United States sharing more of the decision-making. To be sure, as is the case in NATO and in the EU, forging agreement can take time, especially when interests clash. But just as in these other institutions, the source of the G-12's strength will lie in its ability to act collectively—as Russia has now discovered at its own peril.

### **REALITY CHECK**

The G-12 offers the best chance to mobilize the resources of the world's most powerful and advanced democracies to defend the rules-based order. It is fair to ask, however, whether creating a G-12 would widen the divide between democracies and autocracies, inflame current tensions, and make it harder to forge the solutions

needed to address the broad array of global challenges that the world, not just the West, faces. The G-12 will no doubt be seen as a means of explicitly countering Chinese and Russian power. Beijing and Moscow won't respond by shrugging their shoulders. They will redouble their efforts to undermine the rules-based order and work hard to bring other countries into their orbit.

Concern about deepening divisions glosses over a critical point: Western democracies are already locked in a struggle with authoritarian governments over whose values will guide the world order. Neither China nor Russia is looking to improve existing international arrangements. Both are revisionist powers contesting the norms and institutions of the postwar order. They wish to return to an era of great-power politics in which they would be free to dominate their neighbors. Western democracies have been reluctant to recognize the challenges both countries pose, hoping that engagement would persuade Beijing and Moscow to work with rather than against them. Russia's invasion of Ukraine, with China's all-but-formal endorsement, has made clear that the Chinese-Russian partnership is headed toward confrontation over everything the West—and the rules-based order—stands for.

The formation of a G-12 would not prevent the West from ever working with China or Russia. Efforts to curb climate change and prevent pandemics would certainly benefit from more cooperation among all the major powers. But Chinese and Russian cooperation on these issues hasn't been forthcoming, even as the West downplayed China's economic intimidation and ignored Russian aggression. Beijing and Moscow have shown that they will make concessions only out of self-interest, not out of goodwill. By mobilizing the resources of the world's strongest democracies, a G-12 would enable the West to conduct its diplomacy with both countries from a position of strength.

The G-12's approach to China, Russia, and other autocracies should be similar to what U.S. Secretary of State Antony Blinken has described as the Biden administration's approach to China: "competitive when it should be, collaborative when it can be, and adversarial when it must be." To that end, the G-12 would need to make clear what it is for, not just what it is against. Its purpose would not be to hold down China or Russia or transform them or other countries into Western democracies. Its purpose would be to defend the core principles of the postwar order: respect for the sovereignty of large and small countries alike, adherence to the rule

of law, support for democracy and human rights, and a commitment to the peaceful settlement of disputes.

### **DEMOCRATIC DIVISION**

Western democracies may share a commitment to liberal values, but they will always have their own interests. This fact has been reflected in the West's response to the invasion of Ukraine, with the varying levels of enthusiasm among U.S. allies for cutting off Russian energy exports and supplying heavy weapons to Ukraine. The difficulty of forging common policies will only grow as the subject shifts from existential threats to more mundane choices over trade or technology policy.

Just as important, democracies outside the West have not united against Russia's aggression. Brazil, India, South Africa, and other democracies in the Americas, Asia, and Africa have refused to condemn the violation of Ukraine's sovereignty, declined to back sanctions against Russia, and, in a few cases, sought to exploit the war to their benefit. This resurfacing of Cold War-style nonalignment reflects a complex mix of self-interest, historical sympathies and resentments, and preoccupations with more immediate problems closer to home. None of this should be surprising. Democracies aren't immune to being shortsighted, nursing grudges, or playing two sides against each other for their own benefit.

Even though democratic cooperation cannot be assumed, it can be forged. For all their failures and missteps, Western democracies have an established record of building successful collaborative arrangements and have generally fared far better than autocracies because their interactions go beyond the transactional. Their shared commitment to the rule of law makes it possible for them to trust one another, which is why the United States has formal security commitments with more than 50 allies. Russia has only five, and China has just one—North Korea.

To build on this success, the G-12 would ideally focus on building solidarity with democracies in the "global South" that stand to be the biggest losers if China and Russia remake the world order in their own image. Neither Beijing nor Moscow sees smaller powers as sovereign equals; rather, they see such countries as ripe for exploitation and manipulation. Recognition of that fact is why Kenya, Singapore, and other non-Western democracies have joined the West in condemning Russian aggression.

Western democracies offer other democracies much more. To begin with, the joint economic output of the G-12 countries is triple that of China's and Russia's combined. And if the West worked more closely with non-Western democracies, it would likely find more willing partners for all its diplomatic endeavors.

But the G-12 would need to live by the rules it wishes others to follow, in ways that the United States and its allies have not always done themselves. Critics rightly point to plentiful instances of Western hypocrisy, with the U.S. invasion of Iraq chief among them. "Do as we say, not as we do" is a poor foundation for building cooperation. Just as important, the G-12 would need to view its interests broadly and recognize that trying to compel other democracies to follow its lead would be a losing strategy. Far better to demonstrate the real benefits, economic and otherwise, of active cooperation with the G-12 than to pressure other democracies to blindly follow along.

As the West works to overcome divisions among democracies, it will also need to overcome political divisions at home. Populist nationalism is a driving political force in the United States and elsewhere, fostering foreign policies that are skeptical of the intentions of others and encouraging unilateral action rather than compromise and cooperation. The good news is that for now, Russia's assault on Ukraine has shaken Western publics out of their complacency. Germans have overwhelmingly embraced Chancellor Olaf Scholz's interpretation of the war as a *Zeitenwende*—a "historic pivot"—through which Germany will take military security more seriously. Large majorities of Finns and Swedes now support NATO membership. Americans have supported the steps the Biden administration has taken to aid Ukraine; in a Pew Research Center poll conducted in March, five times as many respondents agreed that the United States should provide more aid to Kyiv as agreed that it was providing too much. Congress has followed suit and rallied behind Ukraine.

But worrying signs exist. Hungarian Prime Minister Viktor Orbán's resounding victory in his country's March parliamentary elections and the politician Marine Le Pen's strong performance in the French presidential race show that a fondness for Putin is not automatically disqualifying in European politics. More troubling is the possibility that former U.S. President Donald Trump—who said Putin was "a genius" and called him "savvy" and "smart" after Russia launched its invasion—or someone else who shares Trump's fondness for autocrats

could become U.S. president in January 2025. No G-12 could succeed without the active participation of the United States. When Trump was president, he did much to upend the very rules-based order the G-12 would seek to uphold.

And yet Orbán's effort to forge a coalition of EU discontents with the Czech Republic, Poland, and Slovakia collapsed with the shelling of Kyiv. The response by NATO member countries to the Russian invasion has answered Trump's complaint that other alliance members are not doing enough for defense. And a 2021 Chicago Council survey of Americans found that respondents preferred, by a ratio of three to one, for Washington to share leadership with others rather than dominate them.

### **ANOTHER CHANCE**

The fear that Trump, or at least his "America first" tendencies, could derail a G-12 does give reason for it to proceed with caution, however. For one thing, the G-12 cannot be a return to Pax Americana. The group's goal would be to share responsibilities and burdens among the most advanced Western democracies, not let Washington dictate its terms. For another thing, the G-12 would need to deepen economic cooperation just as much as it promotes coordination on security matters. The rise of populist nationalism reflects the consequences of unbridled globalization, which favored big business over workers and capital over labor, leaving far too many people behind. The success of the G-12 would ultimately rest on its ability to improve conditions in the home countries of its member states as well as abroad. This would mean reversing the race to the bottom on corporate taxes, avoiding trade deals that ship jobs overseas, and tackling growing income inequality.

The silver lining in the horror of the aggression against Ukraine is that it gives the United States and its Western allies a chance to do what they failed to accomplish after the end of the Cold War: reinvigorate international institutions and deepen cooperation on transnational threats. But this moment will not last forever. The West needs to resist the temptation to regard the aggression against Ukraine as an aberration rather than a trend. To that end, the United States should join with the 11 other prospective members of the G-12 to revitalize the rules-based order. Western democracies cannot afford to squander this second chance to get things right. 🌐

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# The New Energy Order

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## How Governments Will Transform Energy Markets

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*Jason Bordoff and Meghan L. O'Sullivan*

**I**n the wake of Russia's invasion of Ukraine, the world appears to be at an inflection point. Business leaders have declared the acceleration of deglobalization and sounded the alarm about a new period of stagflation. Academics have decried the return of conquest and hailed the renewal of transatlantic ties. And countries are rethinking almost every aspect of their foreign policies, including trade, defense spending, and military alliances.

These dramatic shifts have overshadowed another profound transformation in the global energy system. For the last two decades, the urgent need to reduce carbon emissions has gradually reshaped the global energy order. Now, as a result of the war in Ukraine, energy security has returned to the fore, joining climate change as a top concern for policymakers. Together, these dual priorities are poised to reshape national energy planning, energy trade flows, and the broader global economy. Countries will increasingly look inward, prioritizing domestic energy production and regional cooperation even as they seek to transition to net-zero carbon emissions. If countries retreat into strategic energy blocs, a multidecade trend toward more energy interconnectedness risks giving way to an age of energy fragmentation.

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But in addition to economic nationalism and deglobalization, the coming energy order will be defined by something that few analysts have fully appreciated: government intervention in the energy sector on a scale not seen in recent memory. After four decades during which they generally sought to curb their activity in energy markets, Western governments are now recognizing the need to play a more expansive role in everything from building (and retiring) fossil fuel infrastructure to influencing where private companies buy and sell energy to limiting emissions through carbon pricing, subsidies, mandates, and standards.

This shift is bound to invite comparisons to the 1970s, when excessive government intervention in energy markets exacerbated repeated energy crises. The dawning era of government intervention won't be a bad thing, however, if managed correctly. Appropriately limited and tailored to address specific market failures, it can forestall the worst effects of climate change, mitigate many energy security risks, and help manage the biggest geopolitical challenges of the coming energy transition. The current energy crisis has refocused the world's attention on geopolitical energy risks, forcing a reckoning between tomorrow's climate ambitions and today's energy needs and offering a preview of the tumultuous era ahead. How governments respond to these challenges, brought into sharp relief by Russia's invasion of Ukraine, will shape the new energy order for decades to come.

### **WORSE THAN THE DISEASE**

The story of the 1970s energy crises is in part a story of government overreach. Even before six Gulf members of the Organization of the Petroleum Exporting Countries (OPEC) cut production and instituted an oil embargo against the United States and other countries that supported Israel during the 1973 Yom Kippur War, Washington had actively sought to manage U.S. oil markets. In 1959, for instance, President Dwight Eisenhower set quotas on oil imports in order to protect American producers. These quotas had their intended effect, allowing U.S. producers to flourish and boost supply throughout the 1960s. But they did not protect consumers from rising costs. As Americans took to the suburbs, buying ever larger homes and cars, oil consumption outpaced supply, and prices eventually began to rise.

To keep prices in check, President Richard Nixon tried a number of policies. In 1971, at the same time that his administration ended the gold standard, he imposed a series of wage and price controls, including on oil

and gas. But these measures only increased demand for oil while pushing down domestic supply. By the winter of 1972–73, fuel shortages had forced some school districts to close on various days, and the media was warning of a looming energy crisis. In the spring of 1973, Nixon relented and revoked Eisenhower’s oil import quotas, at the same time urging Americans to conserve gasoline. Yet by June, several months before the Arab oil embargo, nearly half the gas stations in the country reported problems operating normally, and drivers were struggling to find fuel.

Instead of dialing back the government’s role in energy markets, Nixon dialed it up, and the cure proved worse than the disease. In November 1973, Nixon created a federal program through which government officials determined how to allocate propane, heating oil, jet fuel, diesel, and other fuels. The effort, according to William Simon, who headed the Federal Energy Office at the time, was “a disaster.” It was against this backdrop of government intervention that the Arab oil embargo led to panic buying and lines at gas stations across the country.

The end of the 1970s saw yet another oil crisis, fueled by many of the same forces. In late 1978, a popular uprising in Iran brought oil production there to a standstill, causing shortages in the United States and other countries and sending prices skyward. As they had during the previous crisis, federal price controls and efforts at allocation only made things worse. Americans waited in gas lines once again, were restricted to fueling up on certain days, and listened as President Jimmy Carter delivered his famous “crisis of confidence” speech.

Among the lessons learned from these failures was that too much government micromanagement of the energy economy can backfire. Carter began deregulating energy prices, a process that President Ronald Reagan then accelerated. Gradually, over the next few decades, the U.S. government pared back its role in the energy economy: it phased out import quotas, ended oil and gas price controls, and scrapped the allocation system.

To be sure, the government also enlarged its role in other energy-related areas, instituting fuel economy standards and lower speed limits, subsidizing synthetic fuels and home weatherization initiatives, creating the Strategic Petroleum Reserve, and expanding leasing for exploration and production in the Gulf of Mexico and Alaska. Its increasing use of sanctions against energy-producing nations has been another exception to the general rule. Nevertheless, many of the most significant changes to the energy sector since the crises of the 1970s—such as deregulating natural gas sales and creating com-

petitive power producers and wholesale power markets—have been guided by a bipartisan consensus that energy security and low costs are best ensured by simply allowing the market to operate on its own.

### **GATHERING STORM**

The energy crisis triggered by Russia's invasion of Ukraine could become the worst in half a century. Many analysts have already drawn comparisons with the 1970s oil crises, but there are important differences. To begin with, the global economy is less energy intense. Economic growth has outpaced growth in energy use, so the world now uses much less energy per unit of GDP. Moreover, many more companies distribute oil globally today than did in the early 1970s, when just a handful of firms controlled most of the world's oil trade. As a result, energy supply chains are now more durable.

That said, the current energy crisis goes well beyond oil and could thus affect a wider slice of the economy. Energy sources of all kinds stand to be disrupted by the turmoil. Russia is not only the world's largest exporter of oil and refined petroleum products but also the dominant supplier of natural gas to Europe and a major exporter of coal and the low-enriched uranium used to power nuclear plants, not to mention many other commodities. With coal, gasoline, diesel, natural gas, and other commodity prices all near record highs, further disruption of Russian energy supplies, whether initiated by Russia or Europe, would accelerate inflation, invite recession, demand energy rationing, and force business shutdowns.

The global energy system was under stress even before Russian President Vladimir Putin decided to invade Ukraine. Europe and other parts of the world faced power generation challenges as more and more of their electricity came from intermittent sources such as solar and wind. At the same time, years of poor returns and increased climate pressures had reduced investment in oil and gas, resulting in limited supplies. COVID-19-related supply chain problems compounded the scarcity and added to pricing pressures. In 2021 and early 2022, soaring natural gas prices pushed some European utilities into bankruptcy and forced governments to subsidize energy bills. Things could have been even worse, but warmer-than-expected weather in Europe and Asia eased some of the demand for energy.

Since the outbreak of the war in Ukraine, energy markets have been even more volatile. Credit markets have tightened, leaving little liquid-

ity to support the buying and selling of oil, and both supply and demand have experienced large shocks. Many buyers have steered clear of Russian oil, concerned about Western banking and financial sanctions as well as the potential stigma of doing business with Russia. Already, the International Energy Agency estimates that Russia is producing around one million fewer barrels per day, a number that could climb if the European Union follows through with its plan to ban all Russian crude oil, gasoline, and diesel by the end of the year. Speculation that more sanctions could be on the horizon, coupled with OPEC's reluctance to backfill lost Russian oil supply, has pushed prices higher still.

As of late May, oil was trading at well over \$100 per barrel. U.S. gasoline prices reached a record high that month (not adjusted for inflation), and rocketing diesel prices raised the costs of shipping and food. U.S. natural gas prices climbed to their highest level since 2008, nearly doubling since the start of the year. Consumers in Europe and elsewhere face an even sharper emergency as a result of record natural gas prices. Such prices would be higher still were it not for two powerful factors that are at least temporarily moving the market in the opposite direction. COVID-19-induced lockdowns in China have seriously dented global energy demand, and the United States and its international partners have released unprecedented amounts of oil from their strategic reserves. For the time being, the volume flowing from strategic stockpiles roughly offsets the loss of supply from Russia.

But the worst is likely yet to come. When Chinese lockdowns ease, oil demand will surge, pushing up prices. The same will be true for natural gas prices, which in turn affect electricity and heating prices. Although Russian gas has largely continued to flow to Europe, Moscow has cut sales to Finland, Poland, and Bulgaria; curbed exports through Ukraine and to a Gazprom subsidiary seized by Germany; and threatened to sever supplies to all European countries that do not pay in rubles. A complete cutoff of Russian gas supplies to Europe is still unlikely, but hardly unthinkable, and would probably lead to shortages, energy rationing, and the shuttering of energy-intensive industries.

Any additional sanctions would have second- and third-order effects on the global energy system. Already, the turmoil in markets for liquefied natural gas, which has increasingly flowed toward Europe because of higher prices there, has left Asia looking for alternative energy sources. Coal, an abundant and comparatively cheap substitute for natural gas, has won out. China and other countries have boosted coal

production amid rising fears of global energy shortages, taking some of the pressure off global gas markets. Without Asia's increased production of coal, Europe would be less able to cope with the loss of Russian gas. But greater reliance on coal has pushed its price to record highs as well, leaving lower-income countries such as India and Pakistan struggling to meet their energy needs in the midst of deadly heat waves. High prices for natural gas, used to produce fertilizer, are also driving up food prices that were already rising because of disruptions in Russian and Ukrainian agricultural exports.

### **SAFE AND SECURE**

These cascading emergencies demand a reevaluation of the lessons from the 1970s about the right balance between government involvement and market autonomy. Reliance on market forces has yielded enormous benefits over the last 40 years, making energy more affordable and accessible, increasing economic efficiency, and boosting energy security by enabling competitive pricing to shift supplies into markets where they are most needed. Today's crises, however, highlight certain market failures that can only be addressed with greater government intervention.

Three market failures in particular reveal the need for a bigger role for government in the effort to achieve the dual goals of enhanced energy security and a timely transition to net-zero carbon emissions. First, the private sector lacks sufficient incentives to build the infrastructure and other assets that most countries need to ensure their energy security. Second, market forces alone cannot encourage the building of the infrastructure required for a more orderly energy transition—infrastructure that by definition may be obsolete before private companies have achieved a full return on investment. And third, private firms and individuals lack strong enough incentives to curb emissions whose costs society bears.

The first of these failures has been painfully illustrated by Europe's vulnerability to the disruption of Russian energy exports. To achieve energy security, countries need a range of options for purchasing energy, a diversity of energy supplies, and adequate reserves in case of emergency—all of which require greater government intervention. Free markets often do a good job of ensuring that consumers have a range of options for sourcing energy. When supplies are disrupted in one location, whether by a natural disaster or political upheaval, free trade in

highly integrated and well-functioning commodity markets allows buyers to find alternatives and thereby avoid shortages. (This practice was more difficult in the early 1970s, when oil was sold in long-term contracts rather than traded globally as a commodity.) But as the current European energy crisis makes clear, switching to alternative energy sources for political, economic, or diplomatic reasons is only possible when the infrastructure—ports and terminals with excess capacity, for example—is in place to allow for the switch. The private sector lacks incentives to invest in such infrastructure because disruptions are unpredictable and private companies will not bear the full cost to society of the resulting dislocations. Governments therefore need to step in.

Lithuania is a case in point. Nearly a decade ago, the country built a floating liquefied natural gas terminal, aptly named “Independence.” The terminal allowed the Baltic state to reduce its dependence on Russian natural gas and negotiate better prices from Gazprom. But the commercial operation of the terminal alone would not have justified its costs, especially since it has often operated well below capacity. The terminal could be financed only thanks to loan guarantees and other forms of aid from the Lithuanian government, in addition to loans from the European Investment Bank. This decision to invest in energy security infrastructure is paying dividends today, enabling Lithuania to become the first European country to completely cease importing Russian gas after Putin’s invasion of Ukraine.

Germany is also looking to liquefied natural gas to reduce its dependence on Russian gas. Russia has long been Germany’s cheapest source of natural gas, leading Germany to gradually increase its imports from there and by 2021 to source more than half the gas it used from Russia. Now, to bring non-Russian gas into the country, Berlin has earmarked three billion euros to support the development of four floating liquefied natural gas import terminals. Businesses and consumers will have to pay more for their energy going forward, but the government will have created the infrastructure to enable a more diverse natural gas supplier base.

These moves by Lithuania and Germany build on recent efforts by the European Commission to ensure more competition in gas markets and provide direct funding for pipeline improvements and liquefied natural gas infrastructure—investments that private firms alone had little incentive to make. As a result, Europe’s natural gas market is more resilient today than it was when Russia cut gas flows in 2009.

Government-owned stockpiles such as the U.S. Strategic Petroleum Reserve are another tool for energy security that cannot be delivered solely by the market. (In Europe, many governments do not hold reserves but instead require companies to maintain above-normal levels of inventory.) Although such stockpiles can help ease shortages in a crisis, they also require infrastructure that private companies are unlikely to build on their own. U.S. President Joe Biden's administration has released enormous amounts of oil from the Strategic Petroleum Reserve, for instance, but the government's ability to release even more to calm global prices is limited by a shortage of available ports and terminals. In the past, such infrastructure constraints were uncommon. Yet the shale boom that made the United States a net energy exporter has dramatically increased demand for port space, which is now mostly claimed by the private sector. For government stocks to increase total global supply rather than simply displace private-sector barrels, additional ports and terminals are needed that may see limited use outside of energy crunches. Given that there is little commercial rationale for infrastructure that is only occasionally used, governments must play a role in developing it, as a major report by the Department of Energy recommended in 2015.

Governments may also need to intervene in energy markets beyond those for oil and gas. The critical minerals needed for a successful energy transition, such as lithium, nickel, and cobalt, are likely to be in short supply as electric vehicles become more prevalent and as solar, wind, batteries, and other forms of low- and zero-carbon infrastructure proliferate. One answer would be to mine more of them. To date, U.S. companies have largely avoided producing and processing critical minerals because of the environmental costs associated with doing so and the easy availability of foreign sources. But having determined that several of these minerals are critical for national security, the Biden administration is now offering incentives to boost their domestic production. Additional government involvement may be needed, too. Private developers are understandably nervous about making large investments that could take a decade or more to pay off while major efforts are underway to find alternatives to these minerals or to commercialize their recycling. The U.S. government might consider guaranteeing such markets, as it did for COVID-19 vaccines, to ensure the production of critical minerals on a larger scale.

Government intervention to enhance energy security need not be limited to subsidies, tax breaks, and other incentives. Diplomacy, too, can help secure adequate energy supplies in a crisis. When Europe faced natural gas shortfalls last winter, for example, the United States sent envoys to Japan and South Korea, among other places, to persuade them to forgo some natural gas cargoes that could then flow to Europe instead. The United States also encouraged Qatar to allow its gas to be sold to European buyers, third-party transactions that were often prohibited by destination clauses in long-term contracts.

### **TIMED OUT**

The second market failure that necessitates government intervention in energy markets stems from the relatively short time frame that the world has to achieve its climate goals. New oil and gas assets that are needed to ensure energy security during the transition may need to be retired before the companies can pay their investors back. After all, what company would risk capital to keep the lights and heat on in the near and medium term while policymakers make increasingly ambitious pledges to render the necessary infrastructure obsolete? To the extent that any companies are willing to make those investments, they should not have to bet against the world's ability to reach its climate goals. Moreover, such investments should not create obstacles to climate action by strengthening economic forces that oppose faster progress because they have vested financial interests in today's energy system.

Creative policymaking can help meet today's energy needs without undermining tomorrow's energy transition. Governments might, for instance, designate certain types of oil and gas installations as "transition assets" and take a more active role in helping private companies build them. Assets such as regasification terminals and pipelines that are needed today but are at risk of being stranded if the goal of net-zero emissions is achieved by 2050 might also be required to be "transition ready"—that is, built equipped for carbon capture technology or for low-carbon fuels such as hydrogen and ammonia—and governments might bear some of the additional costs in the early years.

Alternatively, governments could develop innovative tools to plan for obsolescence. For instance, they might favor the permitting of hydrocarbon infrastructure investments with shorter payback periods, condition that permitting on having a right to pay to wind down the asset after a specified time, or shorten the payback period by lowering



the cost of capital for private firms in exchange for the right to retire the asset after the investment yields a certain return.

Governments will need to take great care in adopting such policies. They should be limited to hydrocarbon projects deemed necessary for near-term energy security needs. And they should favor projects with more versatile uses, such as those that can deliver clean energy or might redirect energy to other destinations. Moreover, policymakers must carefully assess what components of the oil and gas industry are really suitable for transition-ready projects, so that untested claims that some oil and gas projects can be “hydrogen ready,” for example, do not become a loophole for companies to exploit. Finally, governments should require project developers to meet the strictest emissions standards—for methane leaks, for example—so that infrastructure can have the smallest carbon footprint possible.

### **OWN THE PROBLEM**

The third market failure that necessitates greater government intervention in the energy market is by now the most familiar: private firms and individuals do not bear the full costs to society of the carbon and other pollutants they emit. Governments must therefore require producers and consumers to “internalize” these costs, through carbon pricing or other mechanisms. Stronger government climate policy, including carbon taxes, subsidies, mandates, and standards, is necessary to achieve rapid reductions in carbon emissions. As the most recent report from the UN Intergovernmental Panel on Climate Change made clear, time is running short to avoid the most severe consequences of climate change. If emissions are not slashed immediately, it will not be possible to limit the rise in global temperature to 1.5 degrees Celsius, the threshold above which the worst environmental, health, economic, and other effects will occur. And as the impacts of climate change become more frequent and severe, the urgency of government action will grow.

Market forces alone cannot deliver a sufficiently low-carbon economy. Without greater government intervention, real and anticipated shortages of natural gas will translate into greater coal use, for instance, as the current crisis has already demonstrated. This may have been an acceptable response to energy insecurity in the 1970s, when G-7 countries committed to ramping up coal production and trade in the face of oil shortages. But as the most carbon-

intensive fuel, coal is no longer an appropriate alternative, even if it is a workable substitute for Russian gas.

The problem of dirty fuels replacing cleaner ones in times of upheaval also highlights an even greater challenge: that of delivering low-carbon energy to developing countries whose need for energy is growing rapidly. Developed countries will need to help make private investment in low-carbon energy for developing countries less risky. To achieve net-zero emissions by 2050, more than 70 percent of the clean energy investment in developing and emerging markets must originate from the private sector, according to the International Energy Agency. Governments must do more to help mobilize that capital. For example, institutions such as the World Bank and the U.S. Development Finance Corporation could lend to local banks at affordable rates, finance projects in local currency, and expand the availability of loan guarantees. These institutions could also lend to project developers directly. Capital from development finance institutions can go a long way toward spurring private investment.

The good news is that in the long term, many of the government actions needed to reduce emissions—in particular by reducing demand for oil and gas—will also boost energy security. That is in part because energy security comes not just from producing more oil but from using less of it. Fifteen years ago, the United States imported two-thirds of the oil it consumed; in 2021, it exported more oil than it imported. Yet Americans remain just as vulnerable to gasoline price hikes when global oil supplies are disrupted. Households in Europe would similarly be more secure if they consumed less natural gas, either by using substitutes or being more energy efficient. Here, too, there is a role for government: public information campaigns and incentives for efficiency-related investments can help drive the technological and behavioral changes needed to conserve energy during crises.

## **EUROPE'S 9/11**

A more expansive role for government is likely to be a defining feature of the new global energy order that will emerge from the Russia-Ukraine crisis. And just as greater government intrusion into energy markets had profound economic, political, and geopolitical ramifications in the 1970s, such activity will be transformational today—although not in a negative way, if done right. Structured and managed properly, greater government engagement in the energy and cli-

mate realm can help smooth the volatility of markets, mitigate the risks that will inevitably arise from the energy transition, and shorten the path to net-zero emissions.

To the extent that they enhance energy security, for instance, well-crafted government policies can reduce the risk of populist backlash, such as France's "Yellow Vest" protests, against climate initiatives. By the same token, more options for sourcing energy will diminish the geopolitical leverage that may accrue to traditional oil and gas producers in the short term, before the energy transition is complete. As we warned in these pages earlier this year, if Western governments leave these decisions to the market, low-cost suppliers such as Russia and the Arab Gulf countries will end up producing a greater share of the world's oil and gas during the multidecade period in which consumption falls but remains substantial. This dynamic could be particularly problematic if pressures to curb fossil fuel investment lead to a decline in production by Western energy firms even as demand rises or plateaus. But if Western governments can facilitate investment in transition assets, over time they can reduce both carbon emissions and dependence on traditional producers that may exploit the transition for their own economic and geopolitical benefit.

Government efforts to secure financing for clean energy projects in emerging markets can also reduce another set of risks: those stemming from the growing rift between developed and developing countries. In the absence of such measures, the resentment of poor and middle-income countries toward rich ones that refuse to finance fossil fuel projects in the developing world—even as they scramble to secure more oil and gas to offset their own losses from the current crisis—will continue to build, compromising cooperation not just on climate change but on other critical issues such as pandemic preparedness, conflict resolution, and counterterrorism. That the burden of a warming climate falls disproportionately on the very countries that have the least responsibility for global emissions only exacerbates their rancor.

Most important, government intervention to accelerate the reduction of carbon emissions can prevent some of the climate change outcomes that have the worst geopolitical and security implications. As the U.S. National Intelligence Council concluded last year, climate change will amplify strategic competition over the Arctic, stoke conflict over water resources and migration, and potentially spark new kinds of geopolitical disputes as countries unilaterally test and deploy large-scale geoen-

neering initiatives. The emissions reductions needed to prevent these outcomes cannot be achieved without government action.

Certainly, greater government intervention in energy markets is not always desirable. As the U.S. experience in the 1970s showed, governments that go too far toward national planning or unconstrained industrial policy will squander the many benefits of the free market. To be successful, policymakers must narrowly tailor their policies toward specific market failures. As Alexander Hamilton wrote, “In matters of industry, human enterprise ought, doubtless, to be left free in the main; not fettered by too much regulation; but practical politicians know that it may be beneficially stimulated by prudent aids and encouragements on the part of the government.”

Some European countries have already gone too far in their response to the present crisis. Spain and Portugal have approved caps on natural gas prices that are just a fraction of the market price. Some Democrats in the U.S. Congress have proposed a measure that would prohibit price increases during national energy emergencies declared by the president. As recent history suggests, such price controls will be counterproductive.

In taking a more active role in energy markets, governments must resist the temptation to direct their energy sectors in the ways that those with nationally owned companies do. The U.S. government, for example, allocates permits to companies that wish to export natural gas, but it does not direct where that gas goes—market forces do. A more active role for government that favors some countries over others risks politicizing the energy trade and reducing the ability of global markets to allocate resources efficiently.

Governments must also be careful about relying too heavily on energy diplomacy, especially that which seeks to influence what should be market-based decisions about buying and selling energy. Recent American efforts to free up supplies of liquefied natural gas for Europe by discouraging Asian purchases were justified in a crisis, but caution should be exercised going forward. Injecting politics into otherwise commercial matters risks undermining the faith of U.S. trading partners in the sanctity of long-term contracts, which could ultimately hurt U.S. companies, undermine investment, or risk retaliatory efforts to politicize trade in other goods and services.

Also risky are aggressive government efforts to achieve energy security by disconnecting from the global energy economy. Some members of the U.S. Congress, noting that the United States now exports

more energy than it imports, advocate curbing U.S. exports of oil and gas in order to meet American energy needs first. Such actions would likely backfire, undermining energy security as well as free trade. Diversifying supply by stimulating domestic production of key commodities can bring benefits, but so too does integration into a well-supplied and flexible energy market. Energy self-sufficiency may seem like a route to security, but it would be highly inefficient and impose unnecessary costs. It would also leave the United States without the necessary global energy linkages to meet demand in the event of a future crisis or dip in U.S. shale production.

Finally, governments must avoid inflaming domestic partisan divisions, which in the United States are already deep with regard to the question of the role of government. In the years to come, a growing number of legislative proposals aimed at boosting energy security, smoothing the transition to net-zero emissions, and coping with climate change promise more political flash points and partisan wrangling. American leaders must therefore make a concerted effort to build a bipartisan and broad-based coalition in support of these measures, one that includes everyone from environmentalists to the oil and gas industry. Another coalition of strange bedfellows existed two decades ago, before the shale boom, when the United States imported huge quantities of oil from sometimes unstable regions that posed a national security threat. A broad spectrum of interests, each motivated by different arguments, pulled together then to push the United States to consume less oil. Today, a similar coalition could be built around the need for an integrated strategy that ensures both climate security and energy security.

Europe has called the Russian war in Ukraine its 9/11. The terrorist attacks of that day brought about a new security order that dominated the international landscape for 20 years and is still a dominant feature of world affairs. One legacy of the Ukraine war will be a new energy order, originating in Europe but radiating to the farthest reaches of the global economy. It will be defined by the dual imperatives of energy security and climate action. Pursuing them at the same time, without allowing one to compromise the other, will require harnessing the power of markets. But it will also require a much more expansive role for government to leverage, shape, and steer those markets, correcting the failures thrown into sharp relief by today's crisis. Without government intervention, tailored and restrained but nonetheless increased, the world will suffer a breakdown in energy security or the worst effects of climate change—or both. 🌐

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# Nigeria's Second Independence

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Why the Giant of Africa Needs to Start Over

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*Uzodinma Iweala*

**N**igeria has always seemed like an impossibility. From the moment of its independence in 1960, observers questioned the country's viability as a multiethnic, multireligious state. How could a country divided among two major religions and hundreds of different ethnic groups possibly stay together? When the devastating Nigerian civil war broke out in 1967, that skepticism appeared warranted. Perhaps, many concluded, Nigeria wasn't meant to be.

Ever since the war, one of the chief aims of Nigeria's political project has been to prove the doubters, both foreign and domestic, wrong. A long line of civilian and military leaders have sought, sometimes with brute force, to preserve the unified state, which they have held up as a good unto itself regardless of its effect on the people. Each year, supposed experts from outside Nigeria declare that the state has failed and will soon disintegrate. And yet each year, Nigeria does not disintegrate. Instead, like a chronically sick patient who lacks a proper diagnosis and thus adequate treatment, it soldiers on, its condition steadily worsening.

Such has been the case for the past seven years. In presidential elections held in 2015, Muhammadu Buhari decisively defeated the incumbent, Goodluck Jonathan, marking the first time in Nigeria's history that one party had peacefully transferred power to another. Buhari was propelled to office by Nigerians worried about the sectarian and religious violence threatening their country's unity. His message of change appealed widely, as did his platform of fighting corruption, establishing law and order, and delivering economic pros-

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perity. Once in power, however, Buhari disappointed many of those who had voted for him. Many of Nigeria's economic and social indicators are improving too slowly to support a rapidly growing population. Some are heading in the wrong direction altogether.

In February 2023, Nigerian voters are set to choose a successor to Buhari, who is term-limited from running again. The central question animating the electorate will be not just whether Buhari's government delivered on its ambitious agenda but also whether his eight years in power fostered or destroyed a sense of greater national unity. It seems likely that, as in the past, this election cycle will be a tense affair, as elites jockey for control of Nigeria's lucrative economy. But although a free and fair election will certainly reestablish some confidence in Nigeria's political system, those who think a vote will be a cure-all for the country's deep malaise are sorely mistaken.

That is because Nigeria is not a democracy constructed for the benefit of the people. Instead, it is and has always been a quasi-authoritarian state, with the roots of repression deeply embedded in its history of British colonial control. Facing up to this reality would allow for a far more honest conversation about Nigeria's failure to thrive and a more imaginative discussion about how to set the country on the path toward stability and prosperity. It would show that what Nigeria needs is not just a change in leadership but a refounding.

The stakes could hardly be higher. Nigeria is Africa's largest economy and, with 215 million people, its most populous country. With a median age of 18, it is projected to replace the United States as the world's third most populous country by 2050. A thriving Nigeria could transform all of Africa for the better, serving as an economic engine for the continent, and could influence global affairs as the world's most powerful Black nation. But if Nigeria continues to limp along or even disintegrates, the accompanying violence and economic chaos could immiserate hundreds of millions of Nigerians and destabilize the country and the region for generations to come.

## **INVENTING NIGERIA**

In 1914, the British amalgamated several of their West African colonial and commercial entities into one territory, under a single governor-general, Frederick Lugard—without, of course, the participation of the area's ethnically and religiously diverse population. In one stroke, some 18 million people were lumped together in a single



*Fighting for the future: a protest in Lagos, Nigeria, October 2020*

sprawling colony: “Nigeria,” a name that had been blithely coined by Lugard’s future wife, the journalist Flora Shaw. The population’s heterogeneity conveniently played into the British system of divide and rule, whereby colonial administrators exacerbated ethnic and religious differences to limit opposition.

To administer Nigeria, the British split the territory into three divisions, with each of the colony’s major ethnic groups dominating its own region: the predominantly Muslim Hausa-Fulani people in the north, the Igbos in the southeast, and the Yorubas in the southwest. In reality, each region contained—and still contains—a multiplicity of ethnicities. Recognizing the near impossibility of imposing direct control on such a diverse population, the British operated through a system of indirect rule in which indigenous authorities maintained power but served at the pleasure of the crown. Each region organized itself according to very different political structures. In the north, the Hausa-Fulani people operated within a feudalistic hierarchy, with a supreme caliphate in the city of Sokoto ruling over lesser emirates. The Yoruba southwest was governed by a complicated system in which an *oba*, or “king,” ruled with the permission of a council of chiefs and delegated administrative functions to lesser authorities across the region. Within limits set by the British, the predominantly Igbo southeast practiced extreme democracy, with almost no centralization of power. Elements of these different



styles of governance persist in present-day political structures and have proved to be a constant source of tension.

But the British administrative system also left its own mark. For one thing, even though a certain amount of power was delegated to local rulers, any kind of political conversation among indigenous people was banned. This sowed the seeds of a post-independence government utterly removed from local political practices and understandings of governance, entrenching authority in white colonial officials and a self-serving indigenous elite. Those with close ties to the political apparatus—traditional rulers and newly empowered local administrators—benefited greatly, often at the expense of their own people. Even as indigenous political activism grew during the waning days of the British Empire, there was no real rupture with the British administrative system. As many Nigerian historians and journalists have noted, in the 1950s, while Nigerian elites were negotiating independence from the United Kingdom, their counterparts elsewhere were taking up arms against their colonial oppressors.

In practice, this route to independence meant that discussions about a postcolonial Nigeria focused more on balancing power among elites within the context of the existing administrative state than on the actual purpose of that apparatus. Indeed, after independence, Nigeria's new parliamentary democracy largely reflected the political game that had long prevailed under British rule. Northern elites held control of the central political structure but worried about losing ground to their southern counterparts, who were often wealthier and had more Western education. The central state still struggled to harmonize its relationship with the new country's three largely self-governed and ethnically distinct regions.

Nigeria's first fully indigenously drafted constitution, which came into force in 1963, enshrined an idea that had been present in the pre-independence constitutions written by colonial governors: that each of the three main ethnic groups would control its own region while competing for dominance over the center. The constitution did not take into account the deep differences that underpinned each region's political practices—making no effort, for example, to integrate the Hausa-Fulani embrace of hierarchy with the Igbo commitment to egalitarianism. The new country's system of government perpetuated the superficial construct of Nigeria as a nation-state while doing nothing to address its ethnic, religious, and regional tensions. Politics cen-

tered on winning control of Nigeria's federal administration and redirecting its spoils to one ethnic community. They still do.

### **OFFICERS AND GENTLEMEN**

Perhaps not surprisingly, this tenuous first experiment with democracy quickly experienced turbulence. By 1965, the system was beset by debilitating rivalries as the battle for control of the center reached a fever pitch. Early the next year, a group of mostly young Igbo military officers, frustrated with what they saw as rampant corruption and a lack of governance, staged a coup that killed 22 people, including Nigeria's prime minister, Abubakar Tafawa Balewa, a northerner. The event soon led to anti-Igbo pogroms in northern Nigeria, and in 1967, the oil-rich, predominately Igbo southeastern region declared independence as the Republic of Biafra. The central government went to war against the secessionists, killing some two million mostly ethnic Igbos in the process—in large part through a blockade that purposely starved many of them to death. After two and a half hellish years of total war and economic ruination, the secessionists sued for peace, and the conflict ended in 1970. In winning, Nigeria's central government demonstrated that there was one goal it would pursue at any price: unity.

In 1979, after 13 years of military dictatorship, Nigeria returned to civilian rule. The new constitution established a U.S.-style political system in which a great deal of authority was vested in the president and various other powers devolved to newly created states. But as before, the system favored elites at the expense of the broader electorate.

Nigeria's second democratic experiment came to an end in 1983, when Buhari, then a major general, took power in a military coup. So began nearly 16 years of successive military governments in which a cadre of mostly northern generals controlled Nigeria's highest office and the federal state. These military rulers, very much divorced from the people they ruled, treated state resources as their own, hoarding oil revenue or dispensing it as necessary to secure political loyalty. Where bribery failed, violent coercion often succeeded. As with previous regimes, civilian and military alike, corruption became a feature rather than a bug.

Nigeria returned yet again to civilian rule in 1999, after the military agreed to hold elections and then transferred power to the winner, Olusegun Obasanjo. The new president was himself a former, although reluctant, military head of state, ruling from 1976 to 1979, but had later

been jailed for criticizing the totalitarian regime of a subsequent dictator, Sani Abacha. Obasanjo's return to power as a civilian leader was supposed to be an economic and political reset, a cleaning of the Augean stables. On the economic front, he logged numerous successes, clearing Nigeria's outside debt and setting the country on the path toward record growth. Under his government, Nigeria also experienced some progress on the democratic front: the country's national legislature, although egregiously overcompensated and somewhat ineffectual, maintained relative independence from the presidency.

Unfortunately, many of the newly minted politicians were former military officers who had held positions in the previous governments and had profited handsomely from state-sponsored patronage networks. Behind the scenes, a new class of kingmakers, known as "godfathers" because of their Mafia-like power, rigged elections, controlled the bureaucracy, and dispensed the spoils of the state. Even though the country could boast of a rapidly expanding private sector, the state remained the best investment vehicle in town. Godfathers would finance a candidate in the hopes that his victory would result in preferential access to public resources, whether through government contracts or the outright theft of state funds.

Obasanjo was reelected in 2003, and in his second term, he tried to rein in some of the most excessive behavior in this system and consolidate power. But the system pushed back, with some of these godfathers and their beneficiaries playing up ethnic and religious divisions and pushing divisive policies for political gain—for example, advocating the establishment of sharia across Nigeria. Later, during the abortive term of Obasanjo's weak successor, Umaru Yar'Adua, groups in Nigeria's north that had started out as nonviolent, such as Boko Haram, took up arms against the government. In the oil-rich Niger Delta region, armed groups incensed by environmental destruction and poverty began attacking oil infrastructure. After Yar'Adua died and was replaced by Jonathan as president, the unrest continued.

### **THE BUHARI RECORD**

In 2015, Buhari, a Muslim from the country's far north, was able to win enough votes in the rest of the country to defeat Jonathan. Buhari promised to reestablish security, root out corruption, and spur massive economic growth, and in office, he has notched some successes. His administration managed to log initial gains against Boko Haram

in the northeastern corner of Nigeria, and the monthly toll of violent deaths in the country has decreased. He made a strong, if partisan, anticorruption push during his first term in office, securing passage of a law that makes it easier to bring offenders to trial. He also helped further diversify Nigeria's economy away from oil by making substantial investments in agriculture.

But mostly, Nigerians have viewed his tenure as disappointing. Agricultural investments aside, his economic record has been poor. Since Buhari took office, the number of people living in extreme poverty has risen from 70 million to 88 million. The unemployment rate has quadrupled, to 33 percent, and the currency, the naira, has lost at least 40 percent of its value against the dollar. The annual inflation rate had risen from just under eight percent to 16 percent as of April. The country's domestic and international debt has ballooned to a combined \$87 billion. Roughly 85 million people, close to 43 percent of Nigeria's population, still have no access to electricity from the grid. More than ten million children are not in school, a problem that the COVID-19 pandemic has only made worse. A third of Nigerian children under five are stunted or malnourished.

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*Nigeria is and has always been a quasi-authoritarian state.*

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The persistent violence may be even more concerning than the economic malaise. The geographic footprint of violence has expanded since Buhari took office. Kidnappings and murders were once mostly limited to the parts of northeastern Nigeria where Boko Haram is active, but they have now spread across the entire north as other religious groups have taken advantage of lax security to engage in terrorism, for-profit kidnapping, and armed robbery. In March, a group of gunmen attacked a train heading from the capital, Abuja, to Kaduna, a state capital to the north, killing at least eight passengers and kidnapping more than 160, including children and pregnant women.

Violence is also growing in the southeast, where decades of political and economic marginalization of Igbos by the federal government have spurred renewed separatist sentiment. Militant groups such as the Indigenous People of Biafra, which seeks to reestablish the secessionist state of 1967, use the cover of legitimate Igbo grievances to perpetrate violence. Local press outlets have also reported increased drug use among unemployed youth in the region, with newspapers

detailing attacks by young men high on *mkpuru mmiri*, Igbo slang for “crystal meth.” Nigeria’s southwest has largely been spared religious and separatist violence, but that region has seen a marked uptick in armed robberies. As elsewhere, such attacks are attributed to the abundance of young men with few job prospects who are struggling to buy essential goods as inflation rises.

Across Nigeria, the country’s winner-take-all gubernatorial elections remain tense affairs, as politicians vie for control of massive federal allocations, much of which is spirited away for personal use. With so much at stake, politicians often take advantage of the state’s weak territorial control and finance local thugs or unemployed youths to act as political enforcers, helping them win office by attacking their rivals’ campaign infrastructure. Often this violence is aimed at reducing voter turnout—not merely to prevent an opponent’s supporters from turning out at the polls but also, it seems, to undermine the overall credibility of the election and thus reduce the accountability required of the victor. Against this backdrop, Nigerians are now voting with their feet. A 2021 survey conducted by the Africa Polling Institute found that seven out of ten Nigerians would emigrate if given the chance. Today, it is not uncommon to hear even the most patriotic young Nigerians offer a wry definition of the Nigerian dream: to leave.

## **AN AUTHORITARIAN STATE**

Nigeria’s political system defies neat packaging. Scholars have labeled it everything from the facetious “chaosocracy” to the more benign “entrepreneurial democracy” to the pejorative “kleptocracy.” But such labels wrongly suggest that Nigeria’s problems stem from individual moral failings within the political class. Academics therefore offer a strikingly similar cure: good leadership and good governance. This view of Nigeria requires the country to find a unicorn: a democratic disciplinarian who will bring order and prosperity to the system. Nigeria has tried this several times, under both civilian and military rule. Buhari, with his reputation as a no-nonsense former general and opponent of corruption, was supposed to be exactly this person (as was Obasanjo before him). But although Buhari can certainly be criticized for the shortcomings of his administration, the reality is that no individual, however well intentioned, can fix Nigeria’s problems. Endemic to the system, they require much bigger reforms.

That starts by reconceptualizing Nigeria's political structure. Rather than thinking of the country as a democracy in turmoil, formation, or transition, it is more accurate to conceive of it as a quasi-authoritarian state. Nigeria's similarities to authoritarian states are easier to see when the country is run by the military, but the lack of accountability and the tendency to violate civil liberties have been evident under civilian rule, too. At the core of Nigerian politics is an understanding among elites that the government and the resources it controls are not for the benefit of Nigeria's people. The self-dealing can reach absurd levels: in May, Nigeria's accountant general was arrested for allegedly stealing nearly \$200 million in public funds.

The political scientists Steven Levitsky and Lucan Way have described such states as "competitive authoritarian regimes," systems in which democratic institutions are so flexible and frequently abused that the countries fail to qualify as democracies and are best thought of as a "diminished form of authoritarianism." In Nigeria's case, the authoritarian nature of the system derives from the ultimate autocratic construct: the British colonial administrative state, an extractive apparatus never fully jettisoned at independence. To this day, Nigerian judges and lawyers wear the absurd white wigs of their British predecessors; city streets still bear the names of colonial officials.

Part of the problem, too, has been Nigeria's heterogeneity, a would-be strength that often manifests as a weakness. In more homogeneous societies, political contestation can occur without the potential for ethnic or religious violence. But in Nigeria, ethnic and religious divisions have made electoral campaigns more fraught, because voters and elites see the fortunes of their groups at stake. That dynamic, in turn, makes governance itself difficult, as the political elite uses the period between elections to consolidate resources for the next campaign rather than for bettering the country. In states where the elite is more homogeneous, authoritarian regimes can usually consolidate power over time. In Nigeria, however, the push and pull of ethnic politics has prevented government after government from doing so. The end result has been political fragmentation along ethnic and religious lines, economic instability, and insecurity.

Not surprisingly, then, Nigerians have long viewed politics with extreme skepticism. Nowhere is this more apparent than in the horrendously low voter turnout in presidential elections, which has fallen steadily since the 2003 contest. In 2019, turnout dropped to a

record low of 35 percent of registered voters. Elections are not the sole defining element of a democracy, but they are a good proxy for its health. If only a third of registered voters participate in elections because they understandably feel that politicians handpicked by political godfathers do not represent them, it is hard to characterize Nigeria as a democracy. Indeed, a Pew Research Center poll conducted in 2018 found that 60 percent of Nigerians were dissatisfied with their democracy. Fifty-seven percent said they believed that elections changed little.

### **A NEW NIGERIA**

If Nigeria is not a democracy, then the solution to its problems can hardly be found by simply going through the motions of another election. A cure for what ails the country requires something else: a complete rethinking of the purpose of government. In a remarkably young, multiethnic, multireligious society facing a multipolar world being transformed by global conflict, supply chain disruptions, and the climate crisis, good governance means building a truly representative political system, one that can adapt to both the internal needs of a rapidly growing population and the external pressures of a changing world order.

The country is presently conducting a conversation about its future in a chaotic and unstructured fashion, as people who feel left behind turn to violence in a quest for economic and political representation. It need not take place this way. Nigeria should discuss its future at a national conference where representatives from all parts of society can draft a new constitution to replace the current one, an outdated document that was created in 1999 under the supervision of the outgoing military government and that is insufficient for Nigeria's current needs. As the lawyer and educator Afe Babalola has argued, such a conference must represent all of Nigeria's ethnicities. Fifty percent of the delegates should be women, and a significant share of the delegates should be young. What is most crucial, Babalola has stipulated that current officeholders should not be allowed to participate, since they are beneficiaries of the destructive system that still reigns. Selecting a representative sample of Nigerians will be challenging no matter what, but participants could be chosen by popular vote at the community level. Once selected and convened, they would get to work drafting a new constitution that would later be put to a vote in a national referendum.

Nigeria has had these kinds of national dialogues at previous turning points—in 1967, 1978, 1998, 2005, and 2014—suggesting that there is ample familiarity with setting up such a process. The 2005 and 2014 conferences were justly criticized as meaningless talk shops or, worse, government-sponsored distractions from the real issues. But Nigeria is now at the point where it desperately needs unfettered dialogue and binding commitments to a democratic structure that is fundamentally different from the competitive authoritarianism currently practiced.

Nothing should be off-limits for discussion—even the dissolution of the country. Indeed, before doing anything else, Nigerians need to decide: Do they want the patchwork entity named Nigeria to remain Nigeria? It is a reasonable question, given that the country is the arbitrary product of colonial boundaries. Moreover, the unity-at-all-costs mentality fostered during the civil war should be weighed against the benefits of a peaceful decoupling of Nigeria's regions from the federal government. Yet it is not entirely clear whether each derivative political entity could survive on its own. Could the north cope with the loss of southern oil revenue? Could the south succeed without the agricultural breadbasket of the north? Could the financial capital, Lagos, which already styles itself a quasi-independent entity, truly operate without economic inputs from the rest of Nigeria? Dissolution is not to be taken lightly, but as is true in many a broken marriage, reconciliation can begin only after the serious contemplation of divorce.

Once the conference participants have tackled the question of unity, they can turn to the task of making Nigeria more governable and equitable. A few reforms seem especially warranted. First and foremost, Nigeria's experiment with a powerful centralized executive must come to an end. This is an artifact of colonial rule, and 62 years of Nigerian history have shown it to be fundamentally unstable for such a diverse country. Rather, Nigerians should consider a rotating presidency made up of a council of regional leaders. In deeply divided Switzerland, for example, many decisions are made at the local level, and the national parliament, full of part-time politicians, meets only a few times a year. Rather than an all-powerful centralized executive, the president of the

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Swiss Confederation is the first among equals in a group of federal councilors. Although there are major differences between Switzerland and Nigeria (including about 200 million people), a Nigerian variant of such a system might reduce tension around any central administration and the resources it controls while allowing the state to better represent the country's many different constituencies.

Beyond this, a new system of government should grant different regions of the country the ability to decide on their own methods of governance. Newly established local political entities should be able to administer locally determined laws as they see fit, provided that these rules meet basic thresholds for nationally agreed-on human rights standards and are made with the widespread participation of women. Such an arrangement would permit elasticity and innovation, replacing a rigid system that has long been a bad fit for such a diverse body politic.

Nigeria should also consider new rules for who can vote and hold political office. Currently, voting is restricted to people 18 and older, and the minimum age for holding elected office is 25 for the House of Representatives, 30 for governorships, and 35 for the Senate and the presidency. In a country where half the population is under 18, it would be reasonable to lower the voting age to 16—or perhaps even further, given that in some areas, girls as young as 12 are expected to start families and boys the same age are compelled to fight. It would also be reasonable to lower the age restrictions for elected positions and to require retirement from all political or governmental offices by age 60. Nigeria has made little progress under geriatric rule—Buhari is 79 and has been absent for long stretches to receive medical care in London—and it is not clear that the country's elders are any wiser than its youth. Electoral rules should also stipulate that all areas of government must have at least 50 percent participation by women, allowing Nigeria to say a permanent goodbye to a so-called democracy in which only seven of 43 cabinet members, seven of 109 senators, and 22 of 360 representatives are women.

Finally, to guard against the pitfalls of personality-driven governance, any form of democratic rule for Nigeria needs to shift from the old Western paradigm in which people are elected to pass laws to a new system in which voters directly participate in the creation of laws that elected officials will put into effect and uphold. Technology makes direct democracy easier. For example, Nigerians

could vote online or through their phones on joint slates of laws instead of considering each one piecemeal—a proposed method called “combined choice.” Such measures could improve participation and transparency, fostering the kind of peaceful civic dialogue necessary for coexistence in a pluralistic society.

### **DARE TO DREAM**

There are many other reforms for Nigerians to consider, but the main point is that in their quest to construct a form of government fit for purpose, Nigerians cannot afford to limit their thinking to outdated and flawed U.S. and European models of democracy. After all, these are showing signs of strain even in their home countries. Indeed, none of the ideas proposed here is utopian or foreign to Nigerians. Many have already been suggested, and many, such as rotating executive power and direct democracy, have roots in traditional politics practiced at the community level. The question is not whether Nigerians have the collective capacity to imagine how to create a truly Nigerian democracy from scratch—they do—but whether they will act on that vision. The alternative is to continue to privilege authoritarian structures of governance foisted on them by outsiders, systems that were originally designed to advance the interests of colonizers and now benefit a small group of autocratic elites.

The answer will have implications far beyond Nigeria's borders, especially if those borders disintegrate. The longer Nigeria wallows in its competitive authoritarian morass, the less it will be able to deal with the local impacts of global challenges, such as climate-driven food insecurity and the coming shift away from fossil fuels. And what happens in Nigeria won't stay in Nigeria. If the country cannot tamp down conflict and adapt to climate change, Nigerian emigration will likely destabilize neighboring countries by overloading already taxed political systems with additional people. If Nigeria cannot plug the gaps in its territorial control, terrorist groups could use the country as a base for attacks elsewhere. In other words, Nigerians and the rest of the world need Nigeria to get its governance right, a task that begins with properly diagnosing the problem. The solutions will come, as long as the country allows itself to dream. 🌍

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# The Myth of the Global

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## Why Regional Ties Win the Day

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*Shannon K. O’Neil*

A constant and largely unquestioned refrain in foreign policy is that the world has globalized. Closets are full of clothes stitched in other countries; electronics and cars are often assembled far from where consumers live. U.S. investment flows into Asian markets, and Indians decamp to the United States for graduate school. The numbers show the magnitude of international exchange. Trade among all countries hovers around \$20 trillion, a nearly tenfold increase from 1980. International capital flows also grew exponentially during that period, from \$500 billion a year to well over \$4 trillion. And nearly five times as many people are traveling across borders compared with four decades ago.

It is, however, misleading to claim that this flow of goods and services and people is always global in scale. Globalization, as commonly understood, is mostly a myth; the reality is far closer to regionalization. When companies, supply chains, and individuals go abroad, they don’t go just anywhere. More often than not, they stay fairly close to home.

Consider trade. If long distances didn’t affect international sales, the typical journey for any given purchase would be some 5,300 miles (the average distance between two randomly selected countries). Instead, half of what is sold abroad travels less than 3,000 miles, not much farther than a flight across the United States, and certainly not far enough to cross oceans. A study by the logistics company DHL and scholars at the NYU Stern School of Business concluded, “If one pair of countries is half as distant as another otherwise similar pair of countries, this greater physical proximity alone would be expected to increase the merchandise trade between the closer pair by more than three times.”

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Companies' forays abroad have been more regional than global, as well. A study of the Fortune Global 500, a list of the world's largest companies, shows that two of every three dollars of their sales come from their home regions. A study of 365 prominent multinationals found that just nine of them were truly global, meaning that Asia, Europe, and North America each accounted for at least 20 percent of their sales.

Additionally, the oft-repeated term "global supply chains" is a misnomer. The making of things across borders tends to be even more regional than the buying and selling of finished products: the pieces and

parts that come together in modern manufacturing are more likely to be shipped between neighboring countries than from farther away.

International capital flows are also more regional than global. Cross-border buyers of stocks, bonds, and other financial instruments don't invest as far away as one would expect given how global their options are, on average going no more than the distance between Tokyo and Singapore. Foreign direct investment tends to follow trade. Over half of all cross-border financing circulates solely within the European Union. And lending, borrowing, and foreign direct investment in Asia by Asian banks and companies is on the rise.

People tend to orient their lives regionally, as well. Most people never leave their own countries. And for those who do travel abroad, well over half never leave their regions. The vast majority of travelers taking European vacations are European. The same goes for people in Asia and North America. Those who move permanently abroad also tend to stick close to their countries of origin; the majority don't leave their immediate region. And although students who venture internationally tend to go farther than other travelers, 40 percent don't leave the geographic area in which they were born.

Over half the international flows of goods, money, information, and people occurs within three main regional hubs: Asia, Europe, and North America. The economic rise of China, South Korea, Taiwan, and Vietnam began with regional investments and inputs. Eastern Europe's fast-paced growth came from linking to western Europe. Between 1993 and 2007, Mexico's economy more than doubled in size, thanks in large part to the North American Free Trade Agreement (NAFTA), reached in 1993 with Canada and the United States.

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The overlooked reality of regionalization has implications for U.S. policy. Although NAFTA was revised in 2020—it is now the U.S.-Mexico-Canada Agreement (USMCA)—the North American hub is still not as integrated as that of its East Asian and European counterparts. In industries for which North American regional supply chains developed and solidified, such as vehicles and aerospace, local production maintained its edge. But in other sectors, including electronics and textiles, North America's more limited regionalization led whole industries to move wherever regional links provided a leg up.

Ideally, the United States would be inking international trade deals to expand its market access and pursue its geopolitical aims, such as countering China's rise. That does not appear politically possible at the moment, however. A more viable policy would be to fortify and tap the United States' regional network. That would allow Washington to access a broader swath of the global marketplace and stave off losing more of its competitive advantage to countries that are expanding their own regional footprints.

### **WHY REGIONAL TRUMPS GLOBAL**

The major reason networks skew regional is simple: geography matters. Even with massive container ships, moving things across oceans still costs time and money. A transatlantic voyage adds a week to delivery, and a trip across the Pacific Ocean adds a month before parts or goods show up in U.S. warehouses and factories. That means producers and stores need to maintain larger inventories of goods that come from far away.

And it is not only cargo that can be delayed or lost when trade takes place over great distances. Even with virtually free calls, video, and file sharing, the inherent difficulty of communicating and coordinating across space and time can add to the costs of doing business. Language and cultural cues vary by country, and these differences often grow with distance. (This is one reason that a quarter of trade happens among countries that share a language.) Legal codes and administrative norms also tend to be more similar the closer countries are, eliminating the need for duplicate teams of lawyers, accountants, and human resources specialists. And the intangible but vital task of finding things in common and building trust and understanding for teamwork can get harder as the distance between people grows.

Trade pacts as well tend to be regional. Although the 1990s saw the creation of the World Trade Organization (WTO) and the expan-



*How far will they go? A port in Shenzhen, China, May 2020*

sion of its membership and oversight powers, what has been as important, if not more so, over the last 30 years has been the proliferation of bilateral and multilateral free-trade agreements, which tend to involve countries in the same region. European countries turned first to each other for trade. Brazil joined with Argentina, Paraguay, and Uruguay. After reaching a bilateral trade deal with Israel, the United States turned to Canada and Mexico and later to ten other nations in the Western Hemisphere. Asian nations banded together through the free-trade area of the Association of Southeast Asian Nations and later the Regional Comprehensive Economic Partnership (RCEP). Global arrangements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the successor to a pact that was engineered by Washington but that the United States later abandoned, are so far more the exception than the rule.

Companies see differences in their bottom lines depending on their geographic dispersion. Many have gone abroad to boost their earnings, benefiting from the cross-country advantages of differential skills and wage costs. Yet go too far, and costs begin to rise again. In 2010, an academic study of 123 U.S. multinationals found that returns on assets improved as companies expanded internationally within their region but declined when they ventured farther from home. The management consulting group McKinsey & Company dubs this “the

globalization penalty,” finding in a survey of 500 multinational corporations that earnings diminished as operations spread out. It seems the optimal distance for private-sector profits is a Goldilocks zone: not too close but not too far.

### **THE RULE OF THREE**

The strength of the regional networks that a country belongs to are therefore particularly important. And in this regard, European countries are well situated. Although Brexit and mounting populist Euroskepticism may make the EU appear fragile, the European continent is, in fact, the most integrated region in the world. The deep ties that connect its countries are rooted in over a half century of diplomatic bargains that created a single market, a common passport, and a shared currency. Today, Europeans make things together and sell to one another, with nearly two-thirds of EU trade staying within the union. Similarly, internal European investment exceeds that from the rest of the world by 50 percent.

Asia is not far behind in its integration. According to the Asian Development Bank, the proportion of the region's trade that takes place internally has risen from 45 percent in 1990 to nearly 60 percent today, surpassing North America and closing in on Europe. Decades of export-oriented development propelled by Asian business leaders and backed by bureaucrats tied country after country together through production supply chains. Asian countries make things together and increasingly buy from one another: nearly one-third of Asian finished goods are sold to consumers in the region.

North America's countries have also deepened their economic ties to one another. In the wake of NAFTA, trade between Canada, Mexico, and the United States rose fourfold, outpacing that between those countries and ones outside the region. Investment, too, became more regional, particularly for Mexico, where since NAFTA's signing in 1993, one of every two dollars flowing in has come from its neighbors. In particular, North America's agricultural and advanced-manufacturing supply chains expanded and strengthened over the course of the 1990s, leading regional commerce to jump by more than a quarter.

This integration didn't last, however; after China's 2001 accession to the WTO, regional exchanges dwindled, falling from around 47 percent of the continent's total trade in 2000 to a low of 39 percent in 2009, before recovering slightly to around 40 percent by 2018. Still,

although North America's internal connections remain significantly less robust than those in Asia and Europe, they far outstrip those among the countries of Africa, Latin America, the Middle East, and South Asia—regions where less than a quarter of trade and investment occurs between neighbors.

## **JUST IN TIME**

During the COVID-19 pandemic, border closures and rising transportation costs have prompted companies to consider bringing production closer to home. Governments have suddenly become keen to exercise more control over international supply chains for pharmaceutical and medical products. At the same time, ongoing technological innovation has made it easier for the private sector to expand production in different geographic neighborhoods. Automation, in particular, is making far-flung factories and supply chains less vital and less profitable than in the past. As sensors increasingly monitor assembly lines and equipment and robots and other forms of mechanization take over many manufacturing processes and tasks, wages make up a smaller part of operating costs. That development has diminished, at least in part, the once strong draw of locations with cheap labor.

New ways of making things, such as 3-D or additive printing, are also changing manufacturing processes, making small-batch production runs more affordable and reducing the need for specialized factories. These advances lower the numbers of workers that companies need and change the skill sets they seek: in many sectors, skilled (and higher-paid) technicians have become far more important than line workers. That shift diminishes the advantages of economies of scale, enabling at least some companies to move production closer to consumers without sacrificing profits.

The value of time is growing, too. As consumers expect faster delivery and near-immediate gratification, the longer lead times for goods produced by factories thousands of miles away can mean lost sales. The popularity of customized products also makes mass-producing facilities abroad less relevant than in the past.

Moreover, demographic shifts are raising the low wages that once drew so many companies to developing countries. In China, the great migration that brought over 200 million workers from the hinterlands to manufacturing centers has largely ended. After decades of strict family planning, more workers are now exiting the



labor market than entering it. This trend looks set to accelerate: the national workforce is expected to shrink by 100 million people over the next 20 years. Working-age populations are contracting throughout much of Asia, limiting labor pools and driving up wage rates across electronics and other supply chains. In Europe, working-age populations are in decline or appear to be headed that way. Millions of Hungarians, Romanians, and other eastern Europeans have headed to their western neighbors in search of better pay and opportunities, and an influx of migrants—and, more recently, refugees—is only partly replenishing workforces.

Another factor curbing globalization is climate change. Extreme weather will increasingly upend logistics as ports flood, rails buckle, and airplanes are more frequently grounded by storms. Longer supply chains increase these vulnerabilities and potential costs. Meanwhile, policies designed to slow the planet's warming by cutting emissions are raising global transportation prices, incentivizing companies to manufacture goods closer to consumer markets.

### **THE POWER OF POLITICS**

It's not just technological and demographic shifts and climate change that will curb globalization and favor more regionalization; political change is playing a role, as well. After decades of opening up to the world economy, many countries are pulling back. The Global Trade Alert, a nonprofit that tracks and collates trade policies from official sources around the world, has calculated that since the 2008 global financial crisis, new protectionist measures have outpaced liberalizing ones three to one.

Meanwhile, the WTO has been sidelined. It is no longer the forum to negotiate new trade rules. Its efforts to reshape global trade ended in 2015, when the so-called Doha Round of talks sputtered to a close. More niche efforts, such as attempts to reduce fishing subsidies in mostly rich nations, are struggling. Since 2018, the WTO has been unable to punish countries that break the rules, as the United States, under both the Trump and the Biden administrations, has refused to approve new judges to its Appellate Body.

Instead, regional accords have stepped in to govern international trade. The USMCA regulates North America's trade ties and arbitrates disputes. In Asia, the RCEP now governs commercial exchanges among 15 countries, removing most tariffs and combining rules of origin re-

quirements to favor regional supply chains. The African Continental Free Trade Area agreement aspires to do something similar, replacing a tangle of bilateral rules and regulations with a single, almost continent-wide commercial system. Regional accords now set the rules for more than half the world's trade.

Geopolitical tensions threaten to fragment international commerce even further. Economic competition has become a pillar of great-power rivalry. With industrial policy back in vogue, many countries, including the United States, are throwing up protectionist barriers. The U.S. government has identified semiconductors, large-capacity batteries, pharmaceuticals, and dozens of critical minerals as vital to national security and is now implementing policies and spending tens of billions of dollars to expand stockpiles, beef up manufacturing capacity at home and in friendly nations, and redraw global supply chains in these designated sectors. Countries everywhere are drawing up their own lists, some of them adding information and data flows, fragmenting cross-border flows of services. As governments work to reshape the business environment across more industries, they are also implicitly or explicitly asking other countries to choose sides through export controls and other mechanisms. This will further limit international ties.

The push to reshore critical products and services is underway almost everywhere. But what most countries will find is that outside of a few highly sensitive or vital products, companies can't or won't bring production back home. Those that try to do so are more likely to go bust as costs rise and innovation falls. The most probable scenario is that multinationals will turn away from globalized supply chains in favor of shorter, more duplicative regional ones. Regionalization, not globalization, will set the corporate agenda in the coming decades.

### **AMERICA'S ADVANTAGE**

Many of these technological, demographic, and policy shifts favor the United States. The declining importance of cheap wages and the rising role of skilled labor should advantage better-paid U.S. workers. A trove of intellectual property and intangible assets, including several of the new technologies transforming work and workplaces, will allow many U.S.-based companies to reap outsize benefits. Abundant financing means more discoveries, more patents, and more products. The United States also boasts clear laws and regulatory regimes—

which is why so many investors prefer stocks and bonds issued under New York law—and a generally receptive and entrepreneurial business environment. For all these reasons, the U.S. economy should fare well in this next round of globalization.

Still, Washington's advantages aren't immutable. Other countries are also investing in education, research, and development and advancing their own technologies and national corporate champions. Moreover, the next billion new buyers of cars, clothes, and

computers will be in Asia, where middle classes are growing faster than in any other region. To tap into this growth, U.S. multinationals and exporters will need to adapt.

To effectively compete, the United States should pursue reforms at home to take better care of its people and workers and to prepare them

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*Extreme weather will increasingly upend logistics as ports flood and rails buckle.*

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for a more fluid and volatile economic future. This will require expanding safety nets, ensuring labor rights, and improving educational opportunities that upgrade Americans' skills. Domestic infrastructure also needs an upgrade to lower logistical costs that weigh down American-made goods. The \$1.2 trillion set aside in the 2021 Infrastructure Investment and Jobs Act to pay for improvements to highways, bridges, electric grids, and broadband is a good start. More public spending for basic science and research and development should follow to usher in cutting-edge scientific breakthroughs and technologies.

In addition to getting its own house in order, the United States needs a more strategic approach to trade. One of the country's challenges is the eroding price competitiveness of its exports in an increasing number of international markets. The countries to which the United States enjoys preferred access account for less than 10 percent of the world's GDP, and few of them are among the fastest-growing markets. As other countries have formed and joined trade accords, the cost of U.S. exports has risen in relative terms. Because of the RCEP, cars assembled in Japan and South Korea no longer face the double-digit tariffs that U.S.-manufactured alternatives still confront in the region, and Chinese steel, chemicals, and machines all face lower levies than options made in the United States.

In an ideal world, the United States would pursue a robust and comprehensive trade agenda. Joining the CPTPP; restarting negotiations over the Transatlantic Trade and Investment Partnership, which would have linked the U.S. and EU markets; and revitalizing the WTO would open up more markets to U.S. goods and services and reinforce more transparent, fair, and environmentally friendly ways of doing business. The United States would also do well to regain its leadership in international standard-setting bodies, restoring its traditional role as a rule-maker and not just rule-taker.

But until the politics of trade change in the United States, none of that is likely to occur. In the meantime, Washington can benefit by turning to its neighbors. Canada and Mexico have preferred access to many global markets where the United States pays full fare. Their respective portfolios of free-trade agreements each cover some 1.5 billion consumers, representing nearly 60 percent of global GDP. Feeding into Canadian or Mexican manufacturing supply chains can give U.S. producers and parts makers preferential access to the world's consumers, which they currently lack on their own. For instance, Mexican-made cars sold in Europe dodge the ten percent tariff U.S.-made models face, lowering the sticker price by some \$3,000 on a Ford Focus and by over \$4,000 on an Audi Q5, a savings that makes it hard for U.S. carmakers to compete. The opposite is true for U.S.-based parts makers: Mexican plants can source up to 40 percent of their Europe-bound models from suppliers in countries that are not part of the bargain. That means imported Mexican-made cars sold in France or Germany also keep U.S. factories humming.

In today's more regionally focused world, exports are more competitive when countries make them together. Much of Germany's touted international commercial success has resulted from its regional manufacturing ties. By seeding plants and operations throughout eastern Europe, Germany's private companies—the famed *Mittelstand*—have bolstered the country's manufacturing base and created jobs at home as their products have thrived on global markets. China's spectacular rise and export dynamism similarly has depended largely on its incorporation into regional supply chains.

If the United States wants to help its companies replicate these successes, it also needs a regional approach. Regionalization brings competitive advantages that a single country, even one as large and wealthy as the United States, cannot match on its own. To make prod-

ucts as good, affordable, and fast as the competition, U.S. companies need to be able to source parts from many places and complete some tasks and processes in other countries.

A regional commercial strategy will also help more work stay on the continent—and thus in the United States. When part of production is located in Canada or Mexico, U.S. suppliers are more likely to keep or gain contracts and remain in business than when production moves overseas. And when orders rise, so do jobs all along the supply chain. The Organization for Economic Cooperation and Development estimates that, on average, nearly 40 percent of the value of U.S. imports from Mexico is created in the United States. For Canada, that figure is just over 25 percent. Conversely, U.S. input into imports from the rest of the world averages just 4.4 percent, reflecting how few U.S.-based suppliers are part of the global production process.

To enhance North America's regionalization, the continent needs to improve its linking infrastructure. This means adding land crossings, upgrading thoroughfares that lead to and away from the border, expanding rail lines and depots, and investing in people and technology to staff and to support ports of entry. With faster connections and lower logistical costs, manufacturers in North America can make products that are more globally competitive.

As parts and components move between the three countries, workers must be able to follow. More and easier legal work-based migration paths are needed to make the region as a whole more productive, and they will require transferable credentials, licenses, and diplomas; business visas; and longer-term migration avenues. Greater coordination in education and training can help address gaps in skill and improve work environments to ensure that North America's population growth, already a bright spot for the region, continues. Educational exchanges, language learning, and cross-border apprenticeships and skill development programs can all help build a continental workforce better able to entice new businesses and investment. Stiffening migration barriers will just lead more firms to go elsewhere.

And as the U.S. government rolls out industrial policies to increase the resilience of and access to a host of critical supply chains, its neighbors can help. Geographic diversification can offset the risks that natural disasters and accidents pose to stockpiles and production capacity. Regional manufacturing can lower the public financial bur-

den of subsidies, as goods are more likely to attain a higher quality at lower cost when drawing on a cross-border network of suppliers.

North America's regional trade has recovered, albeit slightly, from a 2009 nadir of just 39 cents of every dollar thanks to expanding textile, machinery, and produce supply chains. But no North American leader is prioritizing a continental commercial future. Mexico is turning inward, with energy and natural resource nationalism threatening its manufacturing base. Canada is looking to diversify its international commercial ties by reaping the benefit of trade deals with the United Kingdom and the European Union and in Asia as a member of the CPTPP. And the Biden administration is guided by another repeated but unsubstantiated refrain, that NAFTA and other trade agreements hurt, rather than help, U.S. workers. That is misguided: most of the studies trashing NAFTA don't calculate the better-paid export-oriented jobs gained as a result of more favorable terms in the United States' two biggest export markets; nor do they consider how lower North American production costs kept industries, such as auto manufacturing, alive and even allowed them to thrive in the face of global price competition from vehicles manufactured in other, rival regional hubs.

Through integration, a more competitive North American economy is possible. Three decades of freer trade, the existence of sophisticated supply chains in specific sectors, and widespread cross-border ties between communities and workers due to the movement of tens of millions of people could be energized and expanded. But deeper, more sustainable regionalization will also require a change in mindset. It will require recognizing that the United States' middle and working class would prosper more from engagement in the global economy than they would from a retreat to the domestic market. Americans could gain more jobs, profits, and financial security if their country decided to take what is on offer: a slice of a large and growing economic pie. 🌐

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# Can Brazil Turn Back the Clock?

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## Latin America's Nostalgia Trap and the Return of Lula

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*Brian Winter*

“God is Brazilian,” a local expression goes, and during the first decade of this century, there were reasons to believe it might actually be true. In 2001, Goldman Sachs labeled Brazil—along with China, India, and Russia—as the BRICS, the emerging markets that would supposedly fuel global growth for many years to come. In the case of the South American giant, the prognosis appeared accurate, at least for a while. By the end of the decade, the Brazilian stock market’s value had quintupled. Wealth didn’t accrue exclusively to the upper class: Brazil’s middle class expanded by some 30 million people, and the country’s notorious gap between rich and poor narrowed, if just a bit. Airplanes were full of first-time flyers, and microwaves and TVs flew off the shelves. Even as the economy boomed, the rate of deforestation in the Amazon jungle fell sharply as the government invested in stronger enforcement against illegal farming and mining. Preparations to host the 2014 World Cup and 2016 Olympics seemed to guarantee a long building boom and an even more prominent role for Brazil on the world stage.

Today, the man who oversaw most of that euphoric era as president from 2003 to 2010, Luiz Inácio Lula da Silva, is leading the polls for presidential elections scheduled in October 2022. Although no one expects a divine miracle, many Brazilians hope the longtime metalworkers’ union leader—now 76, his trademark beard gone fully

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*On the stump: Lula in São Paulo, Brazil, March 2022*

gray—can recapture at least some of the magic. After more than a decade of economic turmoil and political instability, Brazil is now about 20 percent poorer on a per-person basis than it was during Lula’s final year in office. Under the leadership of the country’s right-wing president, Jair Bolsonaro, who is running for reelection, Brazil has lost more than 660,000 people to COVID-19, second only to the United States in the Western Hemisphere. Its four-decade-old democracy is under severe stress. And, in a reversal of the Lula-era progress in protecting the Amazon, deforestation has increased dramatically, leading some scientists to warn that the forest, often referred to as “the world’s lungs,” is on the verge of collapse.

With a life story that reads like an epic novel and a charisma that led U.S. President Barack Obama to call him “the most popular politician on earth,” Lula may well have the talent and experience to put Brazil back on the right path. But it is also possible that Brazilians are falling into a classic recurring trap of Latin American politics: hoping that an aging leader who presided over a long-ago commodities export boom can somehow turn back the clock. Repeatedly over the past century, leaders who presided over periods of unusual prosperity, such as Juan Perón in Argentina in the late 1940s, Carlos Andrés Pérez during Venezuela’s oil boom of the 1970s, and Colombia’s Álvaro Uribe during the first decade of this century, have either returned to power themselves or helped protégés get elected. But almost without excep-



tion, these comebacks have ended in disappointment or disaster, in part because the world had changed and prices for crucial exports such as crude oil, iron ore, and soybeans had fallen.

Today's Latin America is struggling to emerge from an especially troubled period that saw some of the world's highest death rates from COVID-19, its worst rates of homicide and inequality, and a lost decade of lackluster economic growth and social unrest. Given the scale of these challenges, it is fair to worry that Lula's rise may be symbolic of what the Venezuelan intellectual Moisés Naím calls "ideological necrophilia," a historical preference during times of crisis for nostalgia and shopworn ideas instead of fresh leadership and forward-looking policy. As the 2022 presidential campaign in Brazil has progressed, Lula's team has been characterized by a glaring shortage of new faces, relying instead on the principal players from his previous term to advise him. He told one interviewer: "You have to understand that, instead of asking what I'm going to do, you just have to look at what I did." But for Lula to come even close to replicating his past record, he will have to overcome a much more adverse external context—and the outsize expectations that have ultimately sunk most others who attempted similar comebacks.

### **A REBIRTH VIA TIKTOK**

Aware that his age could be perceived as a liability in this presidential campaign, his sixth (he lost the first three), Lula has somewhat belatedly embraced Twitter and TikTok, where he posts videos of himself lifting weights at regular 5:30 AM workouts, bragging, "I have the energy of a 30-year-old and the virility of a 20-year-old. . . . I want to live until I'm 120, and that's why I take care of myself." Meanwhile, his campaign has sought to remind voters of Lula's celebrated past. Born to two illiterate subsistence farmers, he dropped out of school after fifth grade to help support his family as a shoe shiner and peanut seller. He didn't learn to read until the age of ten and went to work as a teenager in an auto parts factory. After suffering an accident there that cost him his left pinky finger, he emerged as a labor leader in the industrial suburbs of São Paulo. His courageous role in the grassroots trade union movement helped bring Brazil's 1964–85 dictatorship to an end. While Brazilians of a certain age can recite these biographical details almost by heart, they are new to many voters in a country where the average person was just 21 years old when Lula's presidency ended.

Indeed, much of Brazil's 2022 presidential campaign has been a debate about the past, revolving around two hotly contested questions: How much credit does Lula deserve for the boom years, and how much blame should he get for the collapse that followed? On the first question, it is clear that Lula and Brazil's 210 million people had the wind strongly at their backs during his presidency. The first decade of the twenty-first century was a period of exceptional growth and social progress throughout most of Latin America, primarily because of soaring demand for the region's commodities from China. Latin America's exports to China grew from less than \$6.5 billion in 2002 to \$67.8 billion in 2010, providing a windfall of hard currency that many governments, including Lula's, used to finance social welfare programs and other public spending. Brazil also benefited from a wave of free-market reforms made under Lula's immediate predecessor, Fernando Henrique Cardoso, who served from 1995 to 2002. Those measures ended years of runaway inflation and stabilized the financial system, making the consumer credit boom of later years possible.

Lula's critics still argue that he was extraordinarily lucky and did little more in office than maintain the macroeconomic framework he inherited from Cardoso. It is also true that in a regional context, Brazil's performance in the first decade of this century was not spectacular: the GDPs of Chile, Colombia, and Peru grew significantly faster. Where Brazil did excel, at least at first, was in making sure the bonanza was widely shared by all segments of society. Lula's vaunted Bolsa Familia initiative paid a stipend of about \$35 a month to poorer Brazilians who met certain conditions, such as keeping their children in school. It helped poverty fall from 40 percent to 25 percent by the end of his term, cut infant mortality rates, and became a widely copied model as far away as South Africa and Indonesia. Lula's government also aggressively pushed increases in the minimum wage, which rose almost 50 percent above inflation during his eight years in power. That allowed millions of Brazilians to buy cars, air conditioners, and other middle-class accoutrements for the first time.

These achievements would not have been possible without Lula's embrace of a trait rarely associated with the Latin American left: fiscal discipline. Fending off constant pressure from his base to spend more, Lula's government met ambitious budget targets year after year, al-

lowing Brazil to win the confidence of investors and pay off billions of dollars in loans to the International Monetary Fund years ahead of schedule. Unlike many of his contemporaries, including Venezuela's Hugo Chávez, Lula built a broad coalition that included the working class as well as industrialists and bankers, who saw profits soar thanks to the inclusion of millions of new customers. This pragmatism has led to enduring confusion over the years about what Lula really believes—an ambiguity he has often embraced, referring to himself as a “walking metamorphosis,” after a Brazilian pop song from the 1970s.

It was always clear that China was a major reason for Brazil's success. Explosive Chinese growth led to insatiable demand for beef, iron ore, petroleum, soybeans, sugar, and their derivatives—commodities that account for about half of Brazil's overall exports. But there was a point near the end of Lula's time in office when it seemed that the country had achieved a kind of exit velocity allowing it to break free from its volatile past, with Lula as its wizened, magnanimous leader. When Rio de Janeiro was selected to host the 2016 Olympic Games, Lula broke down in tears and bear-hugged Pelé, the Brazilian soccer legend. When the state-run oil company Petrobras discovered unexpectedly vast new reserves of offshore oil, he declared it “proof that God is Brazilian after all.” By the time Lula left office at the end of 2010, he boasted an approval rating above 80 percent and had become one of the most recognizable leaders of the global South. He seemed emblematic of what many believed was a new world order in which power and economic dynamism were shifting inexorably away from an aging, crisis-torn West.

## **AFTER THE FALL**

Latin America has always been a region of dramatic booms and busts. Still, even by its historical standards, what happened next was stunning. In the early 2010s, China began rebalancing its economy away from investment and toward greater domestic consumption, leading some global commodities prices to fall from their heady levels. Almost in unison, economies throughout Latin America suffered a deterioration in their terms of trade. As oil prices dropped, Venezuela suffered a deep depression that, combined with an increasingly repressive dictatorship, created a humanitarian crisis that sent six million of its people seeking refuge abroad. Argentina, whose farm exports had enabled robust growth from 2003 to 2010, was by 2014

again in default on its debts. Colombia saw its overall export revenue plunge by a third in just one year. Even Chile, the world's largest producer of copper and the region's erstwhile poster child of stability, entered a period of social unrest and economic volatility from which it has still not fully emerged. Throughout the 2010s, Latin America as a whole averaged economic growth of just 2.2 percent a year—below the 3.1 percent global average, and the lowest of any major group of countries tracked by the World Bank.

Even so, arguably no collapse was more surprising than Brazil's. Lula's hand-picked successor, Dilma Rousseff, also of the Workers' Party, at first enjoyed an approval rating almost as high as his. But when the economy started to sour, she tried to keep the good times rolling by resorting to heavy-handed state intervention in the economy and accounting trickery to meet the rigorous budget targets that had served Lula so well. Resisting the inevitable slowdown only made matters worse, scaring investors and consumers alike. By 2013, inflation was on the rise, and more than one million Brazilians took to the streets to protest higher bus fares and other frustrations. Rousseff, a career public servant who had never run for public office until Lula plucked her from relative obscurity, possessed neither the charisma nor the ideological flexibility of her mentor. Lula, sidelined for part of this period by throat cancer, was unable to help right the ship. Brazil's spiral deepened, and by 2015, the country was mired in its worst recession in more than a century.

Meanwhile, prosecutors were digging into a chronic problem for Lula's Workers' Party: corruption. A money-for-votes scandal came close to resulting in impeachment proceedings during Lula's first term in office. But in 2014, a team of prosecutors began uncovering evidence of a much larger corruption scheme involving Petrobras, a case that came to be known as "the Operation Car Wash scandal" in a nod to its origin as a small-scale probe into a gas service station in Brasilia that was being used to launder money. Before long, they found proof that companies were overcharging for contracts for building oil rigs, refineries, and other projects and then routing money back to a long list of politicians in multiple parties. The network of bribes and kickbacks extended into several countries and would send dozens of Latin America's most powerful politicians and business leaders, including two former presidents of Peru, to jail. The U.S. Department of Justice at the time called it the "largest foreign bribery case in history." In fact, it is

unclear how unusual the scheme was in the arc of Brazilian political history. As the Brazilian journalist Malu Gaspar documented in a recent book, one of the main companies involved, the construction giant Odebrecht, had engaged in similar graft with previous Brazilian governments going back at least to the 1970s. Other political observers pointed out that without the steps Lula and Rousseff allowed to strengthen Brazil's judicial system, such as permitting the use of plea-bargain testimony in trials and appointing independent attorneys general, the Car Wash case probably would never have come to light, much less been prosecuted. The novelty may not have been the corruption itself, but the fact that it was detected and punished.

But with the economy in free fall and new revelations about the scandal in the press almost every day, Brazilians were in no mood for such nuance. With overwhelming support from the general public, Congress voted to impeach Rousseff in 2016. Two years later, Lula was sentenced to 12 years in prison on charges that he had accepted a beachfront apartment in return for helping one of the companies involved in the Car Wash case, completing a vertiginous fall from grace. The conventional wisdom was that his storied political career was over and that he might spend the rest of his life in jail.

The imagery of the iconic leader locked in a 10-by-16-foot cell certainly seemed to foretell a tragic end. In a symbolic twist, Lula was locked up inside a police building he had inaugurated himself as president in Curitiba, the dreary capital of the state of Paraná. Only Lula and his most die-hard supporters believed he would get another chance at vindication. "I'm going to prove that the thieves are the ones who arrested me," Lula declared, comparing himself to the South African hero Nelson Mandela. "I want to walk out of here the same way I came in: with my head held high."

Indeed, there was one more major plot twist left, made possible by the failures of Lula's successors. Michel Temer, who became president after Rousseff's ouster in 2016, was a figure so grave in appearance and manner that an ally once compared him to "a butler in a horror movie." By the end of his term, his approval rating had plummeted to just four percent. In the 2018 election, which Lula was barred from running in because he was in jail, Bolsonaro won a strong mandate to pursue a pro-business agenda and crack down on corruption. But he, too, proved unable to live up to expectations. His divisive style, which included hurling insults at journalists, women, and leftists, earned

him the moniker “the Trump of the tropics.” Like the U.S. president he admired, Bolsonaro downplayed the threat of COVID-19, an approach that contributed to Brazil’s registering one of the highest mortality rates from the virus in the world. He warred with Congress and the Supreme Court instead of focusing on the economy. Through it all, a plurality of Brazilians continued to say in polls that Lula was the best president in their country’s history, even as he was locked up.

As the political winds shifted once again, Brazil’s Supreme Court voted in 2019 to overturn its own three-year-old ruling requiring prisoners to remain confined while they awaited appeal. The decision benefited an estimated 5,000 people, but one in particular who had a chance to reassert his dominance over Brazilian politics. Lula walked out of jail hours later, after 580 days behind bars, into the arms of an ecstatic crowd of supporters waving red Workers’ Party flags emblazoned with his image. Four months later, the court ruled that the main judge in the Car Wash case had been biased in his rulings against Lula, after leaked text messages showed him coaching prosecutors on how to pursue the case, among other violations. One by one, all the pending charges against Lula were dropped or thrown out. Finally, in early 2021, a judge restored his political rights. Lula’s friends say that even he was surprised to find himself a candidate for president once again, and with a lead in polls for the 2022 race.

### **EVITA LIVES ON**

Latin America’s most famous, and arguably ill-fated, political comeback involved Juan Perón, who presided over a period of such extraordinary wealth from 1946 to 1955 that he once boasted that Argentina’s central bank had to store piles of gold in the hallways. With Europe devastated by World War II, Argentina was for a time able to export not only agricultural produce but also industrial goods to a rebuilding world. Alongside his wife, Eva Perón, known as “Evita,” Perón generously distributed the windfall to the country’s working class. After the boom faded and Evita died of cancer, Perón was toppled in a coup and sent into exile. The country’s military rulers even banned the use of his name in certain contexts. Nevertheless, no one could match his legacy. He would continue to torment his successors for the next 18 years, until finally the generals relented and allowed Perón, then in his 70s and in ill health, to come home and attempt to restore Argentina’s lost prosperity.

It was a disaster from the very beginning. On June 20, 1973, while awaiting Perón's arrival from Spain, competing crowds of leftist and rightist supporters, all of whom claimed to be the general's true heirs, clashed at the airport in Buenos Aires. At least 13 people died. Once in office, Perón proved unable to handle a more adverse domestic and external environment, failing to stabilize the economy during the Arab oil embargo of 1973 and ensuing rise in global inflation. He died of heart disease at age 78 after less than a year in office. A period of intense violence and chaos followed, culminating in one of South America's most brutal dictatorships. The movement he inspired, Peronism, remains the most dominant force in Argentine politics today, less a rigid ideology than a memory of past wealth.

There are other examples of failed second acts, less dramatic perhaps but similar in trajectory. Carlos Andrés Pérez, who as Venezuela's president from 1974 to 1979 benefited from the same oil shock that felled Perón, returned to office in 1989 in a vastly different global context. He endured riots and coup attempts, was impeached four years later for embezzlement, and soon found himself in prison. More recently, a host of leaders from the boom at the beginning of this century have attempted comebacks. Cristina Fernández de Kirchner, who led Argentina from 2007 to 2015, is currently the vice president of a Peronist government struggling with sinking approval and an inflation rate over 50 percent, one of the highest in the world. Two Chilean presidents, Michelle Bachelet on the left and Sebastián Piñera on the right, returned in the late 2010s for far less successful second terms. Álvaro Uribe, who governed Colombia from 2002 to 2010 and left office with Lula-like approval ratings, helped two Uribista successors get elected, only to break with one of them and see the other, Iván Duque, finish his term in 2022 with an approval rating in the 30s. Finally, the dictator of today's Venezuela, Nicolás Maduro, bases whatever legitimacy he has on Chavismo, the memory of his predecessor Chávez, who died of cancer in 2013 before the bottom truly fell out of the economy.

Why does this keep happening? Some point to Latin America's long tradition of strong, personalistic leaders, caudillos such as Simón Bolívar and Juan Manuel de Rosas who presided after the region's wars for independence in the nineteenth century. Others highlight the "resource curse," which, over the years, has afflicted commodities-producing nations as diverse as Angola, the Netherlands, and Saudi Arabia. Still others see a broader decline of

Western democracies, noting that U.S. politics, too, has become more dominated in recent years by dynastic names such as Bush, Clinton, and perhaps now Trump, politicians who promise to restore an era of supposed past greatness. But Latin America does seem to be in a league of its own.

One plausible explanation is that productivity in Latin America has been stagnant or shrinking since the late 1960s. This affliction has a variety of causes, including low investment, insufficient infrastructure, and a private sector that has been crowded out of some countries by a bloated state. But the net result is that Latin America's economies have been operating without what should be a major engine of growth, leaving them reliant on two other main drivers over the last 60 years. The first has been the expansion of the labor force. But that engine may soon fade as well, with the region's falling birthrates beginning to approach levels seen in western Europe, and Latin America's population is expected to start aging rapidly by around 2030. The second has been commodities exports, a factor beyond anyone's control but one that may become even more important to the region's fate in the years to come.

None of this is a reason to lose hope in Latin America or conclude that the region is forever destined to be a passive bystander to global cycles. Past decades have seen clear progress: the great re-democratization wave of the 1980s, the stabilizing economic reforms of the 1990s, and the redistributive efforts of the first decade of this century were all milestones. Today, many positive trends are underway. Latin America is now the world's fastest-growing market for venture capital. Women and historically marginalized minority groups are finally rising to leadership positions in government and business. Some countries, such as Panama and Uruguay, have outperformed others, and their example offers hope for what greater trade and efforts at social inclusion can accomplish. But if the region's goal is to converge with the living standards of Western Europe and the United States, as Lula and other politicians from his generation long said was their mission, the status quo won't suffice. Today's Latin America needs leaders who can not only distribute wealth but also help create it. That will involve ambitious reforms in areas from education to green energy and bold new thinking on trade alliances and the region's role in global supply chains. It is unclear whether any of the region's presidents, past or present, have the vision, discipline, or political mandate to get it done.



## BACK TO THE FUTURE

As the campaign entered its home stretch, Lula sounded like a candidate mostly content to play his greatest hits. He spoke of old ideas, such as creating a common currency for South America, dismissed by most economists as unworkable, and a significant increase in public spending, even though Brazil already has the second-largest public sector among major Latin American economies, behind only Argentina. A photo of Lula at a meeting in April with 19 of his closest supporters drew strong criticism from fellow progressives because just two were women (one was his fiancée) and none were Black—striking omissions in a country where more than half the population is made up of people of color. Most of his closest aides were familiar faces from his first presidency. For his vice president, he selected Geraldo Alckmin, a 69-year-old former governor of São Paulo whom he had defeated to win the presidency in 2006. Younger Brazilians voiced disappointment that he was not focusing more on renewable energy and gender equality.

In foreign policy, Lula seemed likely to pursue a reprise of the South-South ties he emphasized during his first presidency, when Brazil expanded diplomatic and investment ties with countries in sub-Saharan Africa, South Asia, and elsewhere in Latin America. Celso Amorim, who was Lula's foreign minister during his first presidency and is expected by some to hold that position again if Lula is elected, said closer relations with China were "inevitable," although he added that Brazil would cultivate a positive relationship with the United States, as well. But on other key issues, including the economy, Lula repeatedly refused to share details of his plans, saying his record should speak for itself.

After a decade of turmoil, that might be enough for most Brazilians. In São Paulo and Rio de Janeiro in March, some people told me they have no illusions about Lula's recapturing the dynamism of his first presidency. Instead, they just want a leader who is better than Bolsonaro at protecting them from pandemics, preserving Brazil's democracy, and bringing down inflation—which has soared again amid the war in Ukraine, putting the economy at risk of yet another year of very slow growth. Many express fears that Bolsonaro would try to subvert the October election if he lost, following the example of former U.S. President Donald Trump. "We just want a normal president," said Marcos Daniel, a factory worker in Osasco, just outside São Paulo. If Brazilians don't expect a savior, much less a god, they might just get what they want. 🌐

# REVIEWS & RESPONSES

*The problem is not that economists are too powerful but that they are not nearly powerful enough.*  
— Jason Furman



SARAH SILBIGER / BLOOMBERG / GETTY IMAGES

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# The Quants in the Room

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## How Much Power Do Economists Really Have?

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*Jason Furman*

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*Thinking Like an Economist: How Efficiency Replaced Equality in U.S. Public Policy*

BY ELIZABETH POPP BERMAN.  
Princeton University Press, 2022,  
344 pp.

**I**n 1962, Kenneth Arrow, one of the greatest economists of the twentieth century, joined the U.S. Council of Economic Advisers, which had been created a decade and a half earlier to provide impartial economic analysis to the president. John F. Kennedy had recently won the White House, and the Democratic Party was engaged in a debate about whether and how to expand access to health insurance. It was a discussion in which Arrow was well positioned to participate. Arrow was an expert on market behavior and failures, and the next year, he would publish a landmark paper in the *American Economic Review* that established the discipline of health economics. It argued that the health-care market was

riddled with bad information and bargaining power asymmetries that made fair pricing extraordinarily difficult: a foundational idea that has since shaped how health-care experts think about their field.

Three years after Arrow entered the White House, Congress established Medicare and Medicaid: government-run health insurance programs for people older than 65 and for the very poor, respectively. These represented the largest changes in health policy in U.S. history, and given Arrow's position and work, it would be natural to think that he had a part in their creation. But when I asked him in 2015 what role he played in the establishment of these programs, his answer surprised me: essentially none. Arrow, who would eventually win a Nobel Prize for his contributions to economics, hadn't been consulted on Medicare and Medicaid in any way—when he was in government or out of it.

In retrospect, his absence from these efforts is astonishing. Today, it is inconceivable that such a monumental change, or even a minor change, in almost any federal policy could happen without the involvement of economists. If Congress set out to further expand health care now, for example, the Brookings Institution, Harvard University, and a welter of other think tanks and universities would churn out policy papers and ideas. The Urban Institute and the RAND Corporation would scrutinize any government proposal. The corridors of the White House and the Congressional Budget Office would be filled with economists, and government staffers in both the executive and legislative branches would pore over their analyses.

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But as the University of Michigan sociologist Elizabeth Popp Berman shows in *Thinking Like an Economist*, for much of modern U.S. history, economists held little sway over policymaking. It wasn't until the 1960s that the discipline began playing a serious role in regulation and rule-making. From then through the mid-1980s, government agencies established economic and policy offices to conduct cost-benefit analyses of proposals. To support these offices, educational leaders and academics developed a network of public policy schools and master's degree programs, as well as new think tanks and policy evaluation companies. Judges started using economic analysis in their opinions. Eventually, the discipline was not just part of policymaking; it was central to it.

The historical account in *Thinking Like an Economist*, which makes up the bulk of the book, is an original, insightful, and persuasive story. Avoiding the well-known macroeconomic debates between the Keynesians (who emphasized the importance of government spending) and the monetarists (who focused on controlling the money supply), Berman provides a fresh perspective emphasizing a wide variety of microeconomic topics, including antitrust law, antipoverty policy, health care, and the environment. She also shifts the focus away from the role of the free-market right at places such as the University of Chicago. Instead, she argues that the increasing political power of economics was driven by the center-left. According to Berman, proponents of a bigger, more active government believed that economic analysis could help ensure that an expanded state would more efficiently achieve their goals, from reducing poverty to increas-

ing access to transportation to keeping markets competitive.

It is to Berman's credit as a social scientist that she separates her own value judgments from her historical analysis, and a reader who skips the first and last chapters of her book would be mostly unaware that Berman disapproves of the developments she chronicles. Yet these chapters make clear that she deeply dislikes the rising power of economics, which she asserts has elevated efficiency above social and environmental equity and narrowed the ambitions of policymakers, curtailing the progress they could otherwise have made on single-payer health care, college-debt forgiveness, and other policies the progressive left favors. Berman argues that "Democrats' apparent lack of ambition" under Presidents Bill Clinton and Barack Obama was at least partly due to "the rise of a distinctive way of thinking about policy"—what she calls "the economic style of reasoning"—now prevalent in Washington.

In an era when free-market orthodoxy is under fierce attack, that charge is potent. Ultimately, however, Berman's case against economics is longer on assertion than proof. She underestimates the degree to which economic thought evolves as a result of genuine improvements in understanding, instead assuming that it is simply a projection of power and interest groups. She argues for focusing on rights, not consequences, yet she ignores the multitude of rights-based approaches that would go against her values, such as the libertarian view that high earners have the right to low taxes. Finally, she believes that economists and their style of reasoning are more influential than they actually are. I should know: while serving as chair of the

Council of Economic Advisers, I could only dream of having the power she ascribes to people like me.

### **POWER OR PRESTIGE**

According to Berman, economics first began its march to prominence during World War II, when governments relied on a field called “operations research” to figure out the best way to accomplish specific objectives, such as which array of planes to use for bombing missions. Operations research, the act of using quantitative methods to improve decision-making, has always been intertwined with economics, and its analytic success during the war prompted the U.S. Air Force to continue its funding even after the Allies won. To that end, in 1948, it established the RAND Corporation—one of the United States’ first major think tanks.

RAND developed the Planning-Programming-Budgeting System, which, according to Berman, began “specifying the broad goals of an agency or office; identifying the various programs that might be used to achieve those goals; quantifying, to the extent possible, the cost-effectiveness of those alternative programs; and then using that information as a guide to budgeting.” At first, this system was largely used by the armed forces. But in 1965, President Lyndon Johnson extended the PPBS to the entire executive branch, advancing the “economic style of reasoning” into domestic policy. Soon, agencies throughout the federal government began setting up offices to undertake this economic analysis, often headed by economists, such as Alice Rivlin and Alain Enthoven, who applied it to a range of budget-related domains. The offices were staffed with people with policy training. As the

federal government began collecting more data on itself and on U.S. society, these offices and their employees could conduct increasingly sophisticated calculations. The growing demand for all this work was met by universities across the country, which established policy schools and launched new degrees involving economics.

Eventually, economists’ work expanded from government budgets into the regulatory sphere, where they moved from cost-effectiveness analysis (which searches for the cheapest way to achieve a goal) to cost-benefit analysis (which asks whether the goal is worth pursuing in the first place). They began shaping major policy decisions. Economists persuaded President Jimmy Carter to deregulate the airline industry in 1978 and the trucking industry in 1980 by showing that, according to cost-benefit analysis, open airline and trucking markets would more efficiently and effectively transport people and goods. By the time President George H. W. Bush left office, cost-benefit analysis was an essential part of all regulatory policy.

During the same period, through economic research, academics and lawyers began to shift away from the presumption that big companies were necessarily bad and to study the practical tradeoffs that mergers and corporate conduct have on consumers. In studies, economists showed that consolidation was far from uniformly negative, and their findings became increasingly influential at the Justice Department, the Federal Trade Commission, and, ultimately, in courts—greatly reducing the ambition of antitrust enforcement.

Today, economists have an office in the White House complex where

they analyze how the economy will evolve in response to policy changes and who will win and lose as a result. They play similarly critical roles in most government agencies. They are deeply embedded in the budget process, in the regulatory process, and at enforcement agencies such as the FTC. Berman laments this development. “One might ask whether Medicare would have ever been created had the CBO [Congressional Budget Office] existed in 1965,” she writes.

But her account is more flattering to the power of economists and their ideas than they deserve. Economics certainly has much more prestige in policymaking than does history, psychology, or other disciplines—there is no Council of Sociological Advisers—but very often, economics is still something policymakers use to find support for their existing ideas rather than to illuminate and better understand issues and debates. Indeed, officials frequently use economic analysis simply to rationalize decisions that they have already made. During a White House meeting, one person with a very important policy job applying the types of cost-benefit analysis Berman critiques leaned over to me and, referring to the president’s deputy communications director, whispered, “Is he by far the most important person in this room? Or just narrowly the most important?”

Berman might see it as good that economic analysis is subordinate to political decisions. But economists often lose policymaking fights for causes that she would support, including more regulation. In 2014, when the Council of Economic Advisers analyzed emissions limits on power plants

for the Clean Power Plan, a governmental initiative to cut carbon emissions, we found that the marginal benefits of stricter limits so greatly exceeded the marginal costs that the Environmental Protection Agency’s proposed regulations were too weak. But the EPA rejected our support for more ambitious targets. Understandably, the agency’s staff was more attuned to the possibility that our ideas would be vulnerable in the courts—a judgment that we fully accepted.

Climate change is, more generally, an example of an area where the problem is not that economists are too powerful but that they are not nearly powerful enough. To my knowledge, the largest open letter ever written by economists—eventually garnering more than 3,500 signatories from across the political spectrum—was the one published in *The Wall Street Journal* in 2019 arguing that the United States needed a carbon tax and dividend. The emissions reductions associated with this proposal would have been substantially larger than what Congress considered last year as part of the Build Back Better plan. That plan, by contrast, included a set of climate ideas that was developed mostly without the type of economic reasoning that Berman disapproves of.

Berman, of course, wants aggressive emissions reductions—along with a host of other left-leaning policy shifts. But she argues that governments should make these changes through a process that’s based on fundamental human rights and universality rather than arriving at them by wallowing through the details of quantitative analysis and tradeoffs. She advocates for more command-and-control regula-

tion in climate policy: “the strategy of simply instructing government to determine safe levels of emissions and requiring firms to meet them, as Democrats might have proposed in the 1970s.” This type of regulation, she bemoans, “was not even discussed” during the Obama administration.

Although foregrounding fundamental rights may make for appealing political slogans—and sometimes those rights may indeed win the day—it can be a poor way to design economic policies that make people’s lives better. Take pollution. Berman writes favorably about rules grounded in the “implicit belief that pollution was morally wrong and therefore punishable.” That concept sounds attractive, but it is an impossible basis for public policy. The world cannot immediately eliminate all carbon emissions, and attempts to do so would run up against a different set of principles: that it is morally wrong to destroy jobs for low- and moderate-income workers or to raise the cost of everything they buy. To properly phase out carbon emissions, states have to engage in some cost-benefit research and distributional considerations. In other words, they need economic analysis.

Economic research is invaluable in other areas of policymaking, such as social welfare spending. Many activists support universal payments to a society’s residents, regardless of wealth, both on moral grounds and because they believe it increases the political sustainability of policies. But both of these rationales have shortcomings. For the same amount of money, the U.S. government could either give \$10,000 to the bottom quarter of households or

give \$2,500 to all households. The former would do much more to reduce poverty, and it may be even more politically secure. Contrary to popular belief, more targeted programs have, if anything, proven harder than universal ones over time. Low-income programs such as the Earned Income Tax Credit, Medicaid, and those that provide nutritional assistance have all been expanded multiple times under both Democratic and Republican presidential administrations, while universal programs, such as unemployment insurance, have languished. Even Social Security and Medicare—the United States’ two most famous universal welfare programs—have experienced budget cuts.

#### ON THE LEVEL

Part of Berman’s skepticism of economic policy stems from her belief as a sociologist that the evolution of economic thinking is driven not by advances in theory and evidence but by the interests of the powerful. When discussing the evolving ways economists think about issues such as curbing pollution, reducing poverty, or understanding the consequences of larger businesses, Berman keeps a strong focus on the institutions that developed and advanced these ideas and the interests those institutions served. For example, she quotes a lawyer trained at the University of Chicago who fundraises for a summer program that instructs judges on antitrust issues. “The [corporate] world knew that Chicago economics was the only thing that could possibly save them from an antitrust debacle,” the lawyer says. “Of the eleven [major corporations] I wrote to, within a few weeks I had \$10,000 from

ten of them, and the last \$10,000 came in a few weeks later.”

Although economics has major limits as a science, a lot of the changes in its principles really do reflect improvements in research. Many of the first advances in antitrust regulation, for instance, resulted from the genuine progress of ideas. The discipline’s initial approach to competition policy, developed in the 1930s, held that regulators could look at the number of firms in an industry (which was taken as fixed and given) and neatly infer the impact it would have on prices and consumers. As a rule, then, economists concluded that consolidation would clearly lead to higher prices, a line of thinking that inspired vigorous antitrust enforcement.

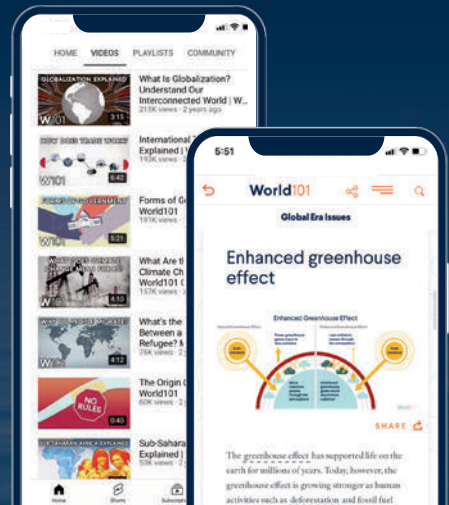
But in the 1960s, an increasing body of studies found that this theory was incorrect. In some cases, consolidation created more efficient and more competitive firms, resulting in lower costs for consumers. It turned out that overzealous antitrust enforcement sometimes increased prices. (One particularly notorious example came in 1967, when the Supreme Court held that national bakeries could not sell inexpensive frozen pies in Utah because they undercut the state’s main pie company.) As the evidence poured in, economists began to discard “the Brandeisian approach,” named after the legal theorist Louis Brandeis, which views big companies as inherently problematic and understands the goals of antitrust policy to include protecting small businesses and democracy more broadly. Instead, they embraced a more lenient philosophy that would help consumers. The federal government and judiciary followed suit, allowing mergers and acquisitions to proceed with renewed pace.

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Now, however, it is clear that regulators and the courts overcorrected, growing too lax about antitrust enforcement, which led to an overly permissive attitude toward everything from hospital mergers (which have increased medical costs) to technology mergers (which have stifled innovation). But the problem in these cases was not the influence of economics. It was that policymakers did not take economics seriously enough. Powerful interests had greatly oversimplified nuanced economic research—always replete with examples in which the mere threat of a new company entering a market and competing with the dominant incumbent was not sufficient to protect consumers from abuses—to train a generation of judges in an excessively narrow, free-market approach. More recent economics research has made it even clearer that there are limits to the efficiency gains from mergers, that vertical integration (in which one company takes control of multiple parts of a single supply chain) has costs for consumers, and that too little competition can reduce quality and innovation. These are all critical findings, ones that policymakers should heed and that give progressives ammunition. These findings suggest that rather than blame economists for bad competition policy, liberals should team up with them.

Indeed, critics of the economic approach would be surprised by just how progressive the field can be. Economics itself has a strong radical tradition, grounded in something that Berman correctly describes but mistakenly laments: its “unrepentantly utilitarian and consequentialist” theoretical underpinnings. At their core, these philosophies hold that the best societal outcome is one in

which everyone is equal—so long as the process of achieving equality does not result in people being much worse off—and they have been critical to advancing liberal causes. These schools of thought are what led the economist Adam Smith to oppose slavery and support labor unions, the political theorist John Stuart Mill to champion women’s right to vote, and the philosopher Jeremy Bentham to be an early strong proponent of LGBTQ rights in 1785. No wonder utilitarian consequentialism has been the basis of peer-reviewed articles in leading economics journals that endorse a top marginal tax rate of 70 to 95 percent.

Consequentialism is also what forces people to take the side effects of a policy seriously—to look at how climate regulation affects not just carbon emissions but costs for consumers or how a universal program and a targeted program may affect poverty differently. Perhaps the best example of how consequentialists think about side effects is economists’ comfort with putting a statistical value on human life (currently about \$10 million in U.S. regulatory analysis). This strikes noneconomists, including Berman, as abhorrent. But if governments fail to consider the cost of lives, they can’t save as many people as possible when making life-or-death decisions. Numbers may seem cold and brutal, but they can be a tool for tremendous good in a world where tradeoffs are inevitable. If policymakers aren’t explicit about these tradeoffs and their respective costs, they will make choices that are too costly in either blood or treasure.

#### **GETTING REAL**

Berman’s critique is not entirely off base, however. She is right that powerful

interests can sometimes capture economic policy, as in the overcorrection of antitrust policy. As a discipline, economics needs to do a better job of influencing public policy so it reflects unbiased analysis—not whims and power relations. Economists must also keep their recommendations up to date and rigorous rather than rely on whatever was in the textbooks 50 years ago. For example, instead of endorsing financial programs for the elderly, economists should advocate for more investments in children, including through more unconditional cash payments, based on the reams of newer empirical evidence showing very high returns on these investments. Expenditures that improve children's health, for instance, increase economic growth by more than enough to cover their initial budgetary cost.

Economists must also do a better job of evaluating political realities when assessing and pushing policies. The best ideas are often simply not feasible, and although economists must make sure they present regulators and lawmakers with the strongest overall concepts, they must work hard to devise effective policies that are also politically tenable. Just like progressive purists, who prefer glorious losses to pragmatic compromises, too many economists also choose to oppose imperfect ideas instead of soiling themselves with the task of crafting the politically achievable second best. In climate policy, for example, it is clear that a carbon tax is the best way to curtail emissions. But it is also politically impossible in the United States, and U.S. economists must focus on proposals that can actually become law.

To understand the political dynamics of policymaking, economists can

learn from sociologists. Economics tends to focus on outcomes, but sociology has shown that processes are also tremendously important for determining how people and communities handle and understand policy changes. Economists need to better recognize that humans care deeply about their personal stories and histories, and they must learn that communicating policy decisions in a way that makes people feel valued, heard, and cared for is just as important as the policy decision itself. Economists must also more broadly understand that their discipline is only one way of thinking about the world. When I teach my students about discrimination, I use bloodless technical terms like “taste-based discrimination” (bias that stems from personal preferences) and “statistical discrimination” (bias that stems from one's assumptions about a group of people). But I also tell them to study the issues through the prisms of history, political science, literature, art, and, of course, sociology. These subjects all also offer tremendous findings and insights that my colleagues and I should take seriously.

That doesn't mean the world needs less economic analysis; the discipline remains critical. Economists should certainly highlight what critics like Berman get wrong, including the presumption that their field is simply a tool of the powerful, or that it is all-powerful. But economists can also prove their value by working collaboratively and doing less to provide opponents with ammunition. Economic analysis alone is not enough—either for devising the right policies or for bringing those policies into existence. 🌍

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# Evil Empires?

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## The Long Shadow of British Colonialism

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*Lauren Benton*

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*Legacy of Violence: A History of the British Empire*

BY CAROLINE ELKINS. Knopf, 2022, 896 pp.

Most European empires may have unraveled in the twentieth century, but their legacies remain. When Russian President Vladimir Putin refused to call the February invasion of Ukraine a war, he was reading from an imperial script. In Putin's view, Ukraine was never a true nation-state. It was a former piece of the Russian empire later absorbed into a rival imperial fold, one dominated by the United States and its western European allies. By labeling the invasion a "special military operation," Putin was presenting the war as an act of imperial policing, not military aggression.

Putin's actions and rhetoric raise some uncomfortable questions for the denizens of former empires. They may reasonably wonder whether any postimperial state can ever free itself from a history of riding roughshod over the political aspirations of less powerful peoples. One part

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of the answer lies in the degree to which bad conduct in empires was just a limited phase or something deeper, a structural tendency toward unjust, organized violence. Another lies in whether there was any meaningful difference between self-described liberal empires, with their good-on-paper claims about allegiance to the rule of law, and illiberal empires that condoned the arbitrary use of force and the impunity of state actors.

The sweeping new book by the historian Caroline Elkins, *Legacy of Violence*, suggests some surprising answers. For Elkins, the "liberal imperialism" of the British Empire is an oxymoron. The British government claimed that spreading good governance and equal protections under British law were explicit aims of its empire, but there was nothing genuinely liberal about an empire so steeped in the systematic, state-directed use of force. "Violence was not just the British Empire's midwife, it was endemic to the structures and systems of British rule," Elkins writes. Her chilling exposé of violence in the British Empire, from the expansion of the East India Company in eighteenth-century India to the brutal suppression of the Mau Mau uprising in twentieth-century Kenya, piles example on example of the grisly consequences of imperial rule.

Elkins shows how imperial law facilitated violence and how practices of repression circulated around the empire. But she is not a fan of nuance. In her eagerness to uncover the dark side of the empire, she pays little attention to the ways that the law also became a resource for vulnerable groups and a battleground for anti-imperial movements. Elkins also depicts the British Empire as more ideologically consistent and politically

coherent than it was. The book offers a useful corrective to the view, championed by the Scottish historian Niall Ferguson and the theologian Nigel Biggar, that the legacy of the British Empire was overwhelmingly positive. But Elkins's unsatisfying alternative is to represent the empire as a consistently malevolent force. The choice is a false one, and it creates unhappy distortions. In particular, it leads to a dubious comparison between the so-called liberal imperialism of the British Empire and the fascism of Nazi Germany, overstating the power of an ideology that was never as clear as Elkins wants it to be.

#### **EMPIRE'S BLOODY TOLL**

Elkins takes readers on a world tour of British atrocities. The set pieces of modern British imperial scandal are all here. She explores the invention of concentration camps in 1900 during the Boer War, when the British herded about 200,000 Black Africans and Afrikaners, including thousands of noncombatants, into murderous camps in what is now South Africa. The years that followed saw brutal acts of reprisal in Ireland. The 1916 Easter Rising was met with stiff repression: British forces operating under martial law executed 15 Irishmen by firing squad and interned at least 1,500 civilians. Also covered is the massacre at the Indian city of Amritsar in 1919, when British forces fired on unarmed civilian protesters, killing at least 400 and wounding some 1,500. Around the same time, the British were refining violent police tactics in Palestine, leading to the full-scale suppression of the Arab revolt of the 1930s. Techniques honed around the empire were then brought to bear with devastating effect in the Mau

Mau uprising in Kenya during the 1950s, when the British clamped down on the movement with a ruthless campaign of arrests, detention, and torture. Imperial authorities killed, maimed, or tortured about 90,000 Kenyans and drove some 160,000 into concentration camps.

The relentless recitation of such acts makes for grim reading. But the book amounts to more than a mere catalog of atrocities. Far from representing anomalies, Elkins asserts, episodes of official violence were planned and coordinated by a grasping state apparatus bent on surveillance, repression, and militarism. The movement of men and ideas carried these practices around the empire, and policies of violent subjugation served to unify politically and culturally disparate colonies. Martial law and other emergency measures, meanwhile, defined the violence of the state as necessary and validated it.

Elkins is particularly effective in tracing how officials moved across the empire, bringing new tactics of repression with them. Major General Henry Tudor, for instance, recruited veterans of the Boer War to set up a paramilitary force in Ireland in 1920 before applying his terrible expertise in Palestine. Charles Tegart suppressed Indian nationalism as the commissioner of police in Kolkata in the 1920s before overseeing the construction of an archipelago of fortified police stations and a frontier fence in the British mandate of Palestine. General Gerald Templer brought methods of torture and repression from Palestine to Malaya, and Colonel Arthur Young refined policing tactics in Malaya before applying what he learned in Kenya. The military intelligence officer Frank Kitson "hopscoched his way

through Kenya, Malaya, Cyprus, Oman, and Aden,” Elkins writes, before rising to the rank of general in Northern Ireland.

One signal achievement of the book is its insistence on treating Ireland as an integral part of the empire. Ireland held an “ambiguous status,” Elkins observes, as a place formally inside the United Kingdom but outside it when “it came to the question of rule of law and civil liberties.” She shows that Ireland served as both a testing ground of new methods of imperial violence and a place for applying the brutal techniques developed elsewhere.

Harsh practices used to control imperial hot spots also surfaced back home. Wartime emergency powers applied in the empire were adapted in the United Kingdom to repress dissent, as when legislation passed in 1939 authorized detention without trial for British citizens accused of posing a threat to national security. Postwar efforts by the United Kingdom to position itself in the new international order galvanized exclusionary domestic policies on migration and citizenship. Parliamentary legislation in 1962 and 1971 reflected surging racism in British society and altered the citizenship status of people living in colonies and former colonies with nonwhite majorities.

Particularly engaging is the account toward the end of the book of recent British government efforts to hide the record of imperial violence. In 2009, five Kenyans imprisoned and tortured in the wake of the Mau Mau revolt brought a case against the British government for their suffering in detention. In 2011, the British government made the shocking announcement that as colony after colony gained

independence in the twentieth century, it had spirited away reams of documents detailing the horrors of state-directed violence in Kenya and in other parts of the empire. Although Elkins was criticized for supposedly exaggerating the harsh methods used by the British in her book *Imperial Reckoning: The Untold Story of Britain’s Gulag in Kenya*, which won the Pulitzer Prize in 2006, she can be forgiven for dwelling on her own role as an expert witness in the case. The unearthed secret documents proved her right.

#### LAW AND ORDER

The 2012 decision of the court in favor of the plaintiffs in the Mau Mau case marks a rare moment in the book when British law operates as something other than a cover for violent state repression. The book emphasizes the way the law functioned to legitimize imperial power. Repeatedly, Elkins illustrates, martial law and other emergency measures allowed for the suspension of fundamental protections, such as the writ of habeas corpus, for imperial subjects.

Other historians, including several Elkins cites, have previously traced the way martial law opened the floodgates of violent repression in the British Empire. Yet these histories have also revealed that declarations of martial law prompted extensive debates about the imperial constitution. Critics of empire repeatedly urged restrictions on how the law could be used to advance the interests of colonial elites and unleash arbitrary power. Elkins pushes aside this well-documented history of controversy about law and justice in the empire in favor of a simplistic account of the periodic suspension of rights.

She offers the term “legalized lawlessness” to capture the phenomenon of “exceptional state-directed violence.” Elkins here echoes the views of the German jurist Carl Schmitt, a critic of liberalism and member of the Nazi Party, and the Italian philosopher Giorgio Agamben. The latter developed the idea that “states of exception” unleash raw state power and then gradually become the norm. Elkins applies this idea in analyzing “exceptional” moments or “crises of legitimacy” during which the law sanctioned extreme violence in the empire and then made that violence appear routine.

The label “legalized lawlessness” is unlikely to stick—and not just because it is a mouthful. In highlighting exceptional violence, Elkins manages to work against her core argument that violence in the British Empire was routine and systemic. At times, she seems aware of the tension. She recognizes that declarations of martial law belonged to a wider pattern in which legal authority in the empire was delegated to local officials, colonial elites, and military commanders. This structure extended beyond exceptional moments and multiplied opportunities for extreme violence. Yet Elkins returns again and again to the language of exceptionalism.

Missing from this approach is the wider legal history of the empire. Historians such as Rohit De, Lisa Ford, Richard Roberts, and Robert Travers have tracked the extensive use of the law and legal language by ordinary men and women in the empire to protect their rights and promote their own visions of justice. Colonial subjects petitioned or sued to defend property, and they fought to extend the remit of common law procedures, such as trial by jury. Ex-convicts in penal colonies maneuvered to

restore their legal rights. Indigenous witnesses and defendants who were not permitted to testify in colonial courts found ways to enter evidence. Locals became notaries and lawyers. And colonial elites adapted the language of liberalism to seek to hold the government to its promise of constitutional protections. The use of the law and liberal rhetoric to challenge or alter imperial rule may fall outside the scope of this book, but without acknowledgment of this context, “legalized lawlessness” becomes a slogan—and an awkward one at that.

### PUZZLES OF LIBERALISM

The problems are compounded when Elkins tries to take the measure of the global influence of liberal imperialism. Although the term appears throughout the book, Elkins does not define it with precision. She refers to the claims advanced by many liberals that the empire was a civilizing force devoted to good governance. She notes, too, that whereas classic liberalism centered on the idea of the consent of the governed, the British Empire came together through conquest or other means that created rule without consent. And she contrasts the liberal ideal of government as a check on violence with the reality of violence as official government policy in the empire.

In pursuing her uncompromising attack on liberalism in the empire, Elkins has to suppress the complexity of its history. She begins with the late-eighteenth-century impeachment and acquittal of Warren Hastings, the first governor-general of Bengal, for corruption in India. The conservative politician Edmund Burke led the prosecution, and he emerges in Elkins’s account as a defeated champion of imperial account-

ability. Yet Burke was no reformer. An odd poster child for imperial restraint, he wanted to rein in the power of the East India Company by subordinating it more firmly to Parliament and, specifically, to the House of Lords. Elkins also omits a key aspect of Hastings's defense: his efforts in India to recognize Hindu and Muslim law and limit the jurisdiction of the East India Company. The weakness of Elkins's treatment of the Hastings trial is not that she gets the roles of villain and hero wrong. It is that such assignments oversimplify these legal battles and overlook ambiguities in the relation between liberalism and empire.

Elkins is forced to veer from a straightforward story of liberal complicity in imperial violence when she traces debates about the constitutionality of repression in Jamaica following the Morant Bay revolt in 1865. Governor Edward Eyre ordered the arrest of George William Gordon, a prominent critic of the colonial government. Gordon was apprehended in a part of the island that was not under martial law and then transported to Morant Bay, where he was tried by a military court, convicted, and hanged. In London, John Stuart Mill and other liberals struggled to reconcile the unequal and uneven justice of the empire with their vision of a government dedicated to the protection of all its citizens and subjects. Elkins pauses here to observe the tensions between liberalism and imperialism.

But that is all the nuance readers can expect. For Elkins, liberalism never offered an effective guide to the restraint of power. It worked only to drape imperial violence in the clothing of reform. By the time liberal imperialism reached a state of "maturity" in Palestine, she

writes, the imperial state was in reality operating "under a rule-of-law fig leaf."

The portrait of the imperial state that emerges is one of irresistible and total force. This characterization stumbles when the story reaches the end of empire, as Elkins gives no compelling reason for the empire's demise. She traces anti-imperial movements across the empire in the postwar decades, emphasizing violent campaigns over nonviolent ones, but their effects pale in significance when compared with the overwhelming force of British repression. In the end, she writes, the British Empire folded in on itself when "the repressive center could not hold."

The inconsistencies in her account ultimately expose the shortcomings of the concept of "liberal imperialism" as Elkins deploys it. The empire was a site of conflict in which liberalism played an inconsistent role. Official violence, meanwhile, was increasingly coordinated but also less than perfectly effective in tamping down opposition and revolt. As the history of successful anti-imperial movements shows, the empire's violence was not a totalizing force, nor was its liberalism a complete sham.

### **ILLIBERAL EMPIRE**

Elkins's portrait of liberal imperialism as a juggernaut brings her very close to calling the British Empire fascist. Elkins repeatedly quotes contemporary observers who have compared British imperialists to Nazis. There are so many of these quotes—I counted 15—and some are so lightly contextualized that they appear to stand in for historical description. This methodology, if one can call it that, obscures the fact that critics of the empire drew the comparison because it would shock a postwar British public

still suffering the consequences of the war with Nazi Germany.

Elkins goes further by hinting at unspecified, direct connections between liberal imperialism and Nazism. In an end note, she writes, “As we shall see, similarities between the British Empire and totalitarian regimes were partly due to Nazi officials borrowing from British imperial laws and practices.” I looked hard for this evidence. Besides a selective reading of *Mein Kampf* that highlights Adolf Hitler’s envy of empires, the evidence appears to consist mainly of Elkins’s claim that Germany’s imperial expansion to the east represented an adaptation of liberal imperialism because it obliterated the sovereignty of conquered polities.

Elkins cites the historian Mark Mazower, who has argued persuasively that Germany was an imperial state. But unlike Mazower, Elkins applies the label of empire without analyzing the specific institutions and practices of Nazi Germany. The difference is palpable. She brings little evidence to support her claims that Germany was repurposing British imperial tactics in “gobbling up sovereign states into the Nazi empire and unleashing genocidal practices.”

At points, Elkins backs away from equating liberal imperialism and Nazism, noting, for example, with enormous understatement, that “there was nothing reformist about Nazi imperial ambitions.” She allows, too, that in Nazism, “racial domination was an end unto itself.” But the parallel lingers. Nazi Germany, she reports, “rolled through eastern Europe . . . much as Britain and France had claimed large swaths of Africa.” In some ways, liberal imperialism emerges as a more lasting, more

broadly corrosive force than fascism. Liberal imperialism was, Elkins asserts, better than Nazism at shape shifting to adapt to new political conditions—so good, in fact, that critiques of imperial violence rarely stuck. Liberal imperialism had “an ideological elasticity that was absent in Nazi fascism.”

Such statements replace history with innuendo. The well-supported main point that lawful, state-directed violence was systematic in the twentieth-century British Empire gets lost as Elkins focuses on elevating liberal imperialism’s place in the pantheon of evil. The agenda is provocative, but it fails as a careful assessment of empire and its legacy. That project would require surveying the broader institutional effects of British imperialism and analyzing a centuries-long global order in which empires were dominant political entities.

Official violence in the British Empire deserves close study, and Elkins makes an important contribution to exposing its hidden history. Yet the lens of liberal imperialism can also be distorting. As Germany showed in the 1940s and as Russia demonstrates again today, aspiring empires may embrace the worst kinds of violence without any pretense of commitment to the rule of law. Liberal visions of empire both cultivated and critiqued imperial violence. They do not hold a unique key to understanding state-directed atrocities.

Readers should certainly follow Elkins’s call to uncover the logic and patterns of violence in imperial history. They should also follow her impulse to ask how imperial violence was and continues to be “systematized, enacted, and understood.” But they should follow her no further. 🌐



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# How the System Was Rigged

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## The Global Economic Order and the Myth of Sovereignty

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*Branko Milanovic*

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*The Meddlers: Sovereignty, Empire, and the Birth of Global Economic Governance*  
BY JAMIE MARTIN. Harvard University Press, 2022, 352 pp.

**I**n 2010, Greece was mired in a major debt crisis. It had been hit hard by the global collapse of financial markets and had just seen its government bonds downgraded to junk status. Facing the distinct possibility of default, the country turned for help to international organizations: the International Monetary Fund (IMF), the European Commission, and the European Central Bank. These organizations provided Greece with three enormous loans in 2010, 2012, and 2015. But the bailouts came with stiff conditions, forcing domestic political and economic reforms and imposing austerity measures that plunged an already reeling country into further turmoil. Successive Greek governments acquiesced to the terms of these bailouts but then tried to claw back control of the country's domestic economic policy under pressure from both the left and the right.

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Greece's travails with the IMF and other international creditors point to how national sovereignty is conditional, not absolute, in the modern world. Sovereign nation-states are supposed to be the constituent units of the international system. International organizations such as the Bretton Woods institutions—the IMF and the World Bank—and the United Nations exist, in part, to maintain stable political and economic relations between independent states and prevent some from riding roughshod over others. But belonging to these organizations invariably curbs the freedom of many member countries, especially weaker ones. An international order that claims to rest on the sovereignty of states often forces some countries to reckon with how partial their sovereignty truly is.

In *The Meddlers*, the historian Jamie Martin traces the evolution of the modern international economic order in the decades before the rise of the IMF and the World Bank. In 1920, in the wake of World War I, the governments of the victorious countries created the League of Nations, a body meant to peacefully resolve political disputes and prevent future wars. The league also sought to help distressed countries by delivering economic advice and giving lenders implicit guarantees that they would recoup their loans to countries in need. The league's role laid the groundwork for the present economic order.

With a critical eye, Martin explores this history of the relationship between international organizations and their nominally sovereign member states. He finds that the international economic order rests on deep inequality, on powerful states dictating terms to the less powerful, and thus on the infringement of

the sovereignty of weaker states. The league and its future incarnations, specifically the IMF and the World Bank, may have formally accepted the equal sovereignty of their members, but in practice, they have habitually violated this sovereignty. That truth, however, is not surprising. It is not altogether realistic to expect, as Martin seems to, that the international economic order will uphold the respect of sovereignty. That implausible demand gets in the way of a finer understanding of how countries actually retain and lose sovereignty in the modern age, how sovereignty is often willingly, although sometimes not openly, traded off by some groups within states for economic gain. Big external forces may eat away at the full independence of countries, but so, too, do the forces within.

#### **A SUBTLER KIND OF MEDDLING**

Before the nineteenth century, countries didn't really have to grapple with these sorts of questions pertaining to sovereignty. Countries fought one another, plundered treasures, took slaves, imposed monopolies, and did not worry much about rules—because there were very few. But questions of sovereignty became more relevant with the advent in the nineteenth century of the system of nation-states, which at first covered only Europe and European settler societies (such as Australia and the United States). De jure and de facto European protectorates, such as China, Egypt, Tunisia, and the Ottoman Empire, belonged to the gray zone of states that were nominally independent but in reality were under the thumb of European powers. When such protectorates were unable to repay their debts, European states would enforce payment by taking control of

national treasuries; when protectorates were unwilling to trade, European states would compel them to open their ports. The United Kingdom assailed China in this way during the two Opium Wars of the nineteenth century. British, French, and Spanish troops jointly landed in Mexico in 1861 to extract debt repayments from the fledgling Mexican republic. Germany, Italy, and the United Kingdom imposed a naval blockade on Venezuela between 1902 and 1903 after that country's president refused to pay its foreign debts. Gunboat diplomacy met gunpoint debt collection.

These relationships changed with World War I. *The Meddlers* opens with a retelling of that conflict, when the Allies worked together to coordinate access to raw materials necessary for the war effort, such as wheat from Argentina, nitrate from Chile, and tin from Malaya. They also coordinated the shipping of food, making sure that civilian populations in France, Italy, and the United Kingdom did not go hungry. Such planning required each participant to surrender bits of its economic sovereignty for the collective good, for instance, by organizing collective bidding processes for foreign-produced raw materials and food so as to limit price increases. It also complicated the relationship between governments and their countries' private sectors, leading to the first attempts at state-directed economic planning in Germany and among the Allies.

This kind of coordination expanded markedly with the founding of the League of Nations. At its inception, the league had 42 members, including countries in Latin America, Asia (notably China and Japan), and even a few from Africa. The league got involved in a

variety of thorny issues that bedeviled many countries in the wake of the war. It sent economic advisers to control government spending and stabilize the hyperinflation that ravaged parts of the former Austro-Hungarian Empire. It provided a forum for the negotiation of the intractable issue of German reparations. And it tried to boost economic development in southern Europe by issuing small loans to those ethnically Greek refugees who, in one of the population exchanges common after the war, had left Turkey and moved to Greece. The multilateral power of the league far outstripped the scope of earlier economic treaties agreed to by two or a handful of countries. Members of the league had joined a voluntary international organization that could at some point limit their economic sovereignty if they could not service their debts or adequately run their economies.

The league, Martin argues, ended up creating the kinds of rules and procedures that are today taken for granted and enshrined in the policies of the IMF and the World Bank (both founded in 1944). Many countries accept the IMF's regular annual oversight through the so-called Article IV consultations, and should they borrow funds from the IMF, the international body places various conditions on their domestic economic and social policies that limit their sovereignty. The league inaugurated a different kind of external interference in domestic affairs, one far subtler than what had transpired before, which Martin describes as the "unwanted meddling that empires long visited on semi-sovereign countries."

### **A LEAGUE OF THEIR OWN**

In exchange for help from the league in obtaining loans, a country had to accept

the league's superintendence of its economic affairs. Martin recounts how such tradeoffs worked in the cases of Albania and Austria between 1922 and 1924, Greece in 1925, and, more fleetingly and unsuccessfully, China in the 1930s. To Albania and Austria, the league provided foreign advisers who controlled each country's fiscal policies to assure foreign lenders that the funds were not being squandered. In Greece, the league provided housing and business loans to refugees. It sent Jean Monnet, a French diplomat (who would eventually help found the European Economic Coal and Steel Community), to China to advise the country's new National Economic Council, a body created in 1931 to help speed economic reform in the country. But Monnet's mission made little impression in the midst of China's other problems, including civil conflict, competing centers of power, and Japanese interference.

The league's first forays into imposing austerity policies (and thus into limiting the sovereignty of member states) took place in European countries, which bristled at being treated no better than the populations of Africa and Asia. People in Christian European states imagined themselves at the top of a global hierarchy; they could venture out and limit the sovereignty of people elsewhere, but they struggled to accept the surrender of their own sovereignty. The league's work could not help but carry colonial overtones. J. G. Moojen, a longtime Dutch colonial official, thought that his experience in suppressing uprisings in South Sumatra uniquely qualified him for the position of the overseer of the league's activities in Albania. In his application for the job, as

Martin recounts, he drew a parallel between his former experience and the work in Albania: the people in South Sumatra were “independent and fond of liberty,” much like “the Albanian mountain inhabitants.” Moojen did not get the job—it went to another Dutch East India official—but a league bureaucrat agreed with his assessment of the situation, noting that Albania was a country where “a certain amount of financial wisdom may have to be instilled by means of a revolver.”

Perhaps one of the more fundamental features of this system became clear only in hindsight. The league was formally composed of equal member states, but in fact, the victorious great powers—France, Italy, the United Kingdom, and, lurking on the outside, the United States—did not think that they were beholden to the same rules as weaker member states. The defeated European powers, Austria and Germany, were aggrieved that they were not afforded seats at the high table. Japan held less sway simply by being an Asian country. And African countries and colonies found themselves at the bottom of this hierarchy. A similar pecking order persists to this day. Countless authors have told the story of the United Kingdom’s sterling devaluations in 1967 and 1976, which were imposed by the IMF. This episode has won so much scholarly attention precisely because the IMF’s intrusion into the economic policies of a major Western power remains hard to imagine today. Nowadays, when the IMF imposes identical or much greater limits on economic decision-making in Argentina or Nigeria, for instance, the action hardly arouses any interest beyond the predictable statements of concern about the profligacy of countries in the so-

called global South and the usual worries in Western capitals about whether the debtors will repay their creditors.

Martin shows that the country most reluctant to give up any morsel of economic sovereignty was then, as it is now, the United States. The United States, despite the efforts of President Woodrow Wilson, never joined the League of Nations. It was unwilling to bear the costs of multilateralism, to curb the power of its private companies, to risk being dragged into future wars, or, most of all, to share sovereignty. The British and the French felt more urgently the necessity of international coordination, perhaps because they were less powerful than the ascendant United States.

The American position, of course, changed after World War II, in part because the United States could then fully dictate the rules of the game, which it was not yet strong enough to do after World War I. The last part of *The Meddlers* discusses the forensically studied negotiations among the soon-to-be-victorious Allies in 1944 and 1945 in Bretton Woods and at Dumbarton Oaks that led to the founding of the IMF and the World Bank and the entire postwar global economic order. Martin explores the differences between the two main protagonists: the United States, as embodied by the Treasury Department official Harry Dexter White, and the United Kingdom, represented by the economist John Maynard Keynes. The main point of contention between the two was how countries would access IMF funds, which would largely be provided by the United States. The United States insisted that the provision of funds above a certain sum had to be followed by

increasingly tight conditions placed on domestic policy. The United Kingdom, knowing that it would need to borrow soon, argued that members of the IMF should treat access to funds as a right, not a privilege. Unsurprisingly, given the relative imbalance of power, American preferences won the day.

This is well-trodden ground. But in several tantalizing sentences, Martin challenges, without naming it, the economist Dani Rodrik's influential argument about the "golden age" between 1945 and 1971 of international economic coordination and limited globalization, during which the Bretton Woods system functioned without too much friction and allowed member states significant policy autonomy. Martin's underlying argument that the international system never treated all countries the same undermines Rodrik's thesis. Martin writes, "The challenges of global governance . . . are more significant than what is implied by stylized histories of embedded liberalism and its collapse into neoliberalism. There was no stable era of mid-twentieth-century autonomy that can be easily recaptured." And also, "There was no golden age of national autonomy and sovereign equality after 1945."

Without fully developing his argument, Martin seems to dispute the view that the neoliberal era, ushered in by figures such as British Prime Minister Margaret Thatcher and U.S. President Ronald Reagan, represented a true departure from the so-called golden age that preceded it. For Martin, hierarchy has always existed in international economic relations. The notion that relations between powerful economies and less powerful ones in the decades

after World War II were not shaped by inequality and discrepancies in power was an illusion, an ideological façade made necessary by the Cold War, in which the Western camp needed to present itself as a team of equals.

### **THE FANTASY OF SOVEREIGNTY**

Martin underlines how this parity was always chimerical. No iteration of international order in history has allowed member countries to fully preserve their sovereignty. As it is, countries are rarely hermetically sealed. Even if one thinks in purely economic terms, the borders between what is domestic and what is foreign are thoroughly permeable in a world of interdependence. For instance, the anti-inflationary policies of Paul Volcker, who was chair of the U.S. Federal Reserve in the 1980s, cannot be understood as only a domestic issue: higher interest rates in the United States had enormous repercussions for indebted countries as varied as Brazil, Mexico, Poland, and Romania. (The anti-inflationary measures being imposed now by the U.S. Federal Reserve will likely have similarly deleterious consequences for many emerging economies.) Today, China applies all sorts of conditions, such as requiring the transfer of technology, on access to its market; that can hardly be construed as domestic policy. Continuous trade deficits or surpluses are not simply the concerns of the countries involved; if China and Germany run large trade surpluses, for instance, other countries have to run trade deficits, which they can reduce significantly only by depreciating their currencies.

It is often impossible to convincingly distinguish between the domestic and the international sphere. By criticizing how

stronger countries exercise power, as Martin does, one is simply writing a chronicle of the inevitable and the obvious. An international organization, such as the IMF, should not try to contrive equality among its members; it should set itself the more realistic goal of minimizing inequity. It could do this by taking the social concerns of borrowing countries more seriously and allowing them much longer periods of adjustment. For instance, it could ask borrowers to phase out subsidies over ten years rather than three; it could resist the impulse to excessively financialize economies through encouraging the private provision of pensions and education, which often helps only the rich and does little for the poor and the middle class; and it should not penalize government investments in infrastructure and health.

An ideological infrastructure that presumes equality will only invite the strong to come up with ever more clever narratives to justify their hegemony. Then, in addition to de facto inequality, countries will have to deal with hypocrisy, too, as happens today when rich countries clamor for more attention to climate change while remaining among the greatest per capita emitters of carbon dioxide: the United States' per capita emissions are nine times as great as India's; Finland's are ten times as great as Zimbabwe's.

An additional problem hinted at in the chapters discussing austerity policies in post-World War I Austria and development loans in Greece is unfortunately not developed further. The desire for equal sovereignty implicitly frames every country as a homogeneous entity with discrete interests. In this view, the League of Nations and other

international organizations are imagined as powerful external entities clamping down on the independence of weaker states. But countries are not homogeneous; every country contains many class, social, and political groups, and some of them use international organizations to impose policies that they are not strong enough to see through the domestic political process. The Austrian government in the 1920s, as Martin notes, did precisely that when seeking to advance fiscal reforms and circumvent opposition in Parliament. Innumerable other governments have followed suit, shifting blame to foreigners (and willingly surrendering domestic sovereignty) as a way to further a particular domestic interest. They cry, "Foreigners made us do it!" even when the tail is wagging the dog.

This is how powerful groups with specific agendas collaborate in the neoliberal era. Countries yield domestic sovereignty not under the implacable pressure of international organizations but through international agreements that powerful social groups use to lock in their preferred policies. In *Globalists* (one of the books Martin cites), the historian Quinn Slobodian shows that such an approach was pioneered by libertarians and the Mont Pelerin Society they founded in Switzerland in 1947. They realized that there was no real possibility of a single world government that would advance the interests of businesses. Instead, they argued for a "double government": "the imperium," which would deal with political, cultural, and symbolic matters and would be fully autonomous, and "the dominium," which would be internationally controlled and deal with economics. Within the latter,

cross-country business interests would hold sway and ensure secure property rights, low taxation, and the independence of central banks (among other business-friendly measures) across borders. Should one country defect and try to pursue, say, an independent exchange-rate policy or abandon independent central banking, markets would rapidly punish the renegade. The society's vision of the dominium is indeed at work today: powerful social and class groups within countries willingly trade portions of national sovereignty to further their own interests.

Martin's prose is dense, and his blow-by-blow recounting of the events that took place over almost half a century is at times tedious, although impressive in its detail. Future economic historians will no doubt find the book useful for its list of sources: the endnotes consist of 66 pages of references in small type, which, at first guess, may include more than 1,000 books and articles. The problem with Martin's detail, however, is that it often obscures the big picture. The major issues emerge periodically, but one wishes that the book were structured more around the key questions of ideology—for instance, the belief in the unconstrained free market and its counterpart, the insistence on the meaningful role of the state—and international law that shape the interactions of states.

The idea that all countries are sovereign underpins the international system. But that fundamental basis appears increasingly mythical given the

ways countries surrender elements of their sovereignty. For one, weaker countries are not nearly as sovereign as more powerful ones; inequality in international relations places limits on the independence of less powerful countries. And second, countries voluntarily surrender sovereignty, however surreptitiously, because doing so benefits particular political or class factions in those societies. In other words, international organizations should not be judged against an unrealistic standard of upholding the national sovereignty of all their members, both because power is distributed unequally worldwide and because national sovereignty is divided locally among different groups with different interests. Any international economic order must rest on the precarious foundation of a world of unequal and split sovereignty.

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#### **FOR THE RECORD**

The article "The End of the Middle East" (March/April 2022) mistakenly identified Djibouti, Eritrea, Ethiopia, Kenya, Somalia, and Sudan as among the countries U.S. Central Command is responsible for. Those countries were under the purview of U.S. Central Command until 2007, when they were transferred to that of the newly created U.S. Africa Command. 🌐

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