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NOVEMBER/DECEMBER 2011

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**George Packer on Inequality and Social Decline**

**Parent & MacDonald on the Need to Come Home**

# Israel Under Siege

**The Problem Is Palestinian Rejection**
**Kuperwasser & Lipner**

**The Problem Is the Occupation**
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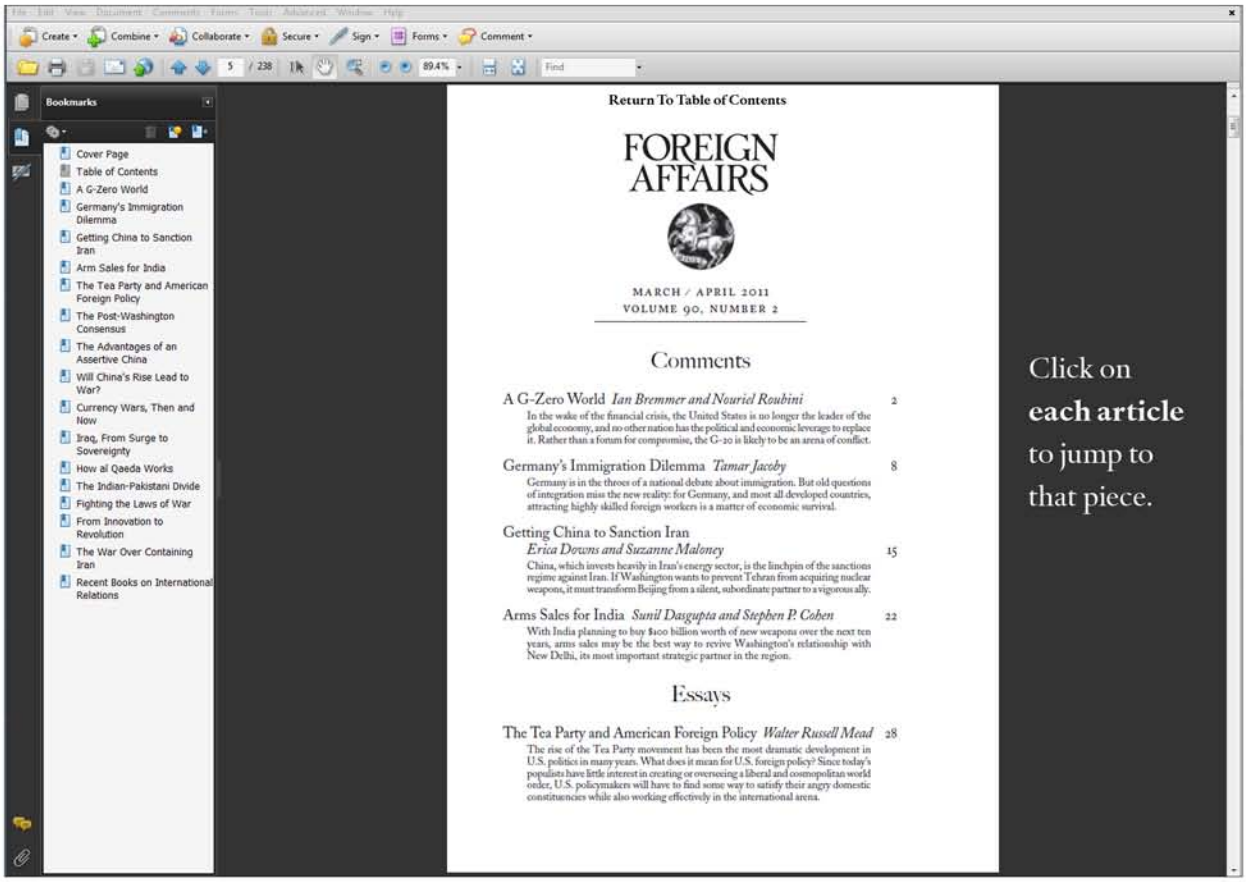


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# Israel Under Siege



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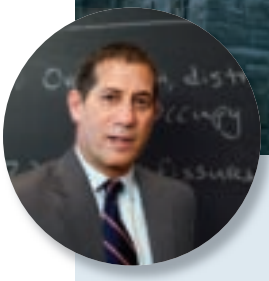

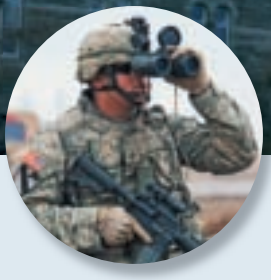

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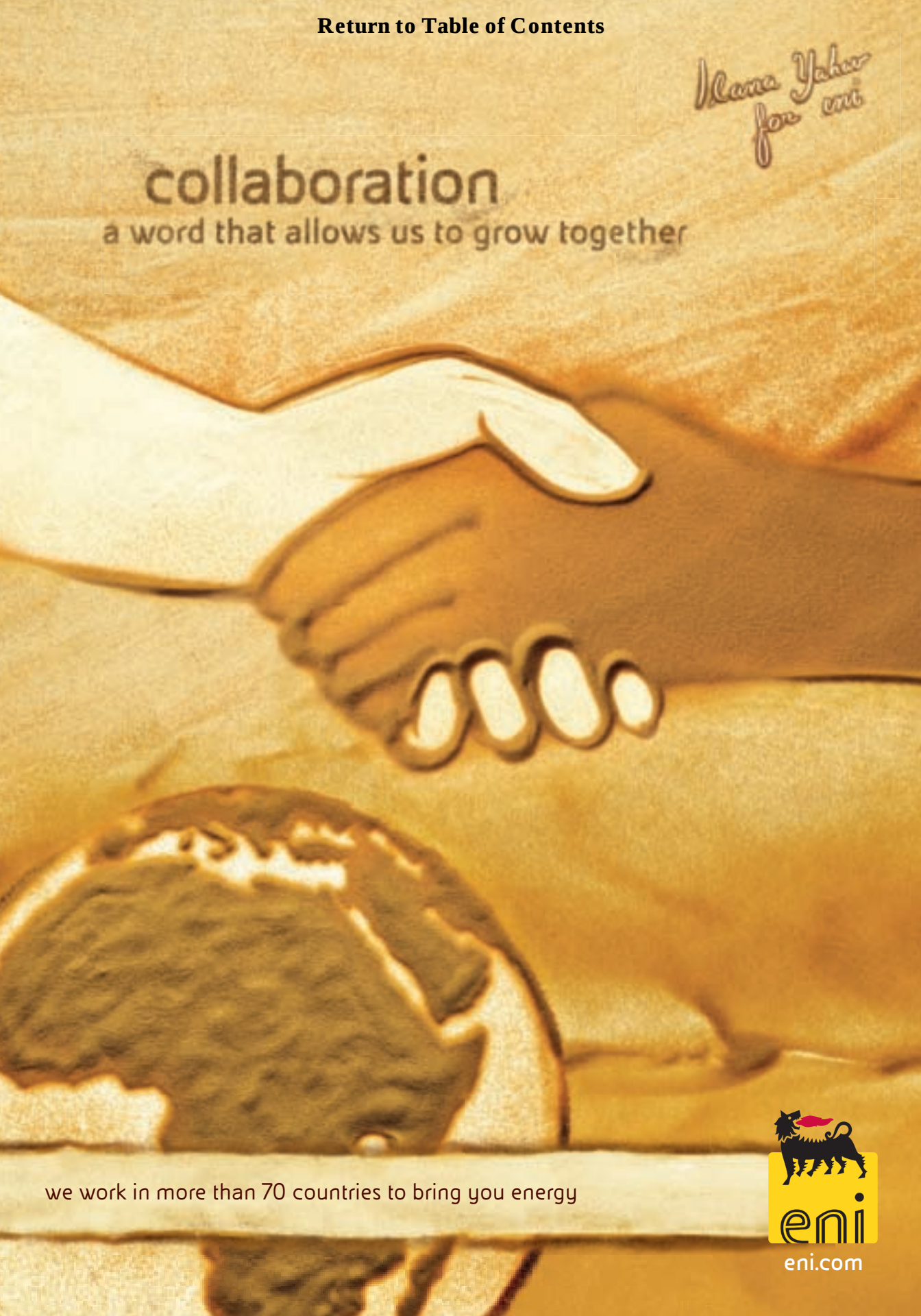
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# Israel Under Siege

BAZ RATNER/REUTERS

*In the Jewish settlement of Har Gilo, near Jerusalem, February 17, 2011*

The Palestinian refusal to recognize Israel as a Jewish state stands at the root of the conflict.



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The conflict threatens Israel not because the Palestinians want to drive the Jews into the sea but because it is transforming the country into a cynical and illiberal place.

# The Problem Is Palestinian Rejectionism

## Why the PA Must Recognize a Jewish State

*Yosef Kuperwasser and Shalom Lipner*

Nearly two decades of peace negotiations between Israel and the Palestinians have failed miserably. The key reason for this failure is the Palestinians' refusal to recognize Israel as a Jewish state.

The basic paradigm of the Oslo accords, signed in 1993, held that both the Israelis and the Palestinians were, at long last, prepared to recognize the legitimacy of each other's national rights and aspirations. With that essential threshold crossed, it was thought, all that would remain was to work out a compromise on core issues: where to draw borders, whether and how to divide Jerusalem, and how to resolve the Palestinian demand that refugees from the 1948 war be allowed to return to Israel.

That, at least, was the theory. Yet over the course of the last 18 years, during which negotiations were conducted along these lines, the rhetoric and actions of the Palestinian leadership have proved that paradigm wrong. The Palestinians have not in fact recognized the legitimacy of the national rights of the Jewish people. Consider, for example, the Palestinians' refusal to negotiate with Israel over the past year, a result, they say, of continued settlement construction in Jerusalem and beyond the 1967 lines. This is a dubious claim given that the Palestinians have never made halting construction a precondition before. And when Israel did freeze settlement building for ten months in 2009–10, the Palestinians still refused to talk, only agreeing to do so at the last moment and even then only to prevent a crisis in their relations with the United States.

The true reason for the intransigence among Palestinian officials has nothing to do with settlement building; rather, it is their continued rejection of the Jewish character of Israel. The Palestinians are fully aware that once they sit down at the negotiating table and agreement is reached on all other outstanding issues,

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they will need to answer whether they are ready to recognize Israel as the nation-state of the Jewish people. And as Israeli Prime Minister Benjamin Netanyahu told the U.S. Congress this past May, the Israeli-Palestinian conflict "has never been about the establishment of a Palestinian state. It has always been about the existence of the Jewish state." He continued: "The Palestinians have been unwilling to accept a Palestinian state if it meant accepting a Jewish state alongside it."

Israel has maintained its independence and self-determination through its ability to defend itself. But prowess on the battlefield is not equivalent to true stability and peace. The Palestinian refusal to recognize Israel as a Jewish state stands at the root of the struggle and behind every so-called core issue, from determining borders to resolving the dispute over Palestinian refugees. Genuine reconciliation can be achieved, then, only once the Palestinians come to terms with Israel's existence as a Jewish state.

### IT'S 1947, NOT 1967

The assumption that the Palestinians had consented to accept Israel as a Jewish state was based on a letter that the Palestinian leader Yasir Arafat sent to Israeli Prime Minister Yitzhak Rabin just prior to the signing of the Oslo accords. The letter, which states that "the [Palestine Liberation Organization] recognizes the right of the State of Israel to exist in peace and security," was seen as a breakthrough, confirmation that the Palestinians were ready to forsake violence and live in peace with Israel. But Israeli negotiators at the time misinterpreted what exactly Arafat meant when he claimed he would recognize Israel. Arafat's letter carefully avoided acknowledging that Israel is the nation-state of the Jewish people, giving rise to two complementary approaches to Palestinian recognition of the Jewish state by the PLO: one that rejects Israel outright and another that accepts Israel as a political entity but continues to refuse to accept its character as the homeland of the Jewish people.

The first Palestinian strategy maintains that Israel has no right to exist, let alone as a Jewish state. According to this position, which is reserved for domestic consumption, all the land from the Mediterranean Sea to the Jordan River belongs to the Palestinians, and thus the existence of any political entity other than a Palestinian state within that area is unacceptable. There may be temporary or even long-term cease-fires with Israel, but sooner or later, the entire land will be "restored" to the Palestinians, either by political means or by force of arms. The most obvious advocates of this blunt stance are Islamic terrorist organizations, such as Hamas, which now controls the Gaza Strip, and other associated groups. This past May, Ismail Haniyeh, the Hamas prime minister in Gaza, commemorated the 1948 war by pronouncing his "great hope of bringing an end to the Zionist project in Palestine." Similarly, last November, his Hamas colleague Mahmoud al-Zahar declared in a speech in the Gaza Strip that "the expulsion [of the Jews] will come . . . from all of Palestine. . . . We are going to expel them."

Yet these Islamic groups are hardly alone in believing that Israel should be entirely destroyed. In fact, as recently as 2009, Fatah, the supposedly moderate party that constitutes the largest faction of the PLO, reaffirmed its official charter, which mandates the continuation of armed struggle

until the Palestinians have achieved the "complete liberation of Palestine, and eradication of Zionist economic, political, military, and cultural existence." The Fatah official Abdallah Abu Samhadana confirmed this sentiment in May when, in celebration of the Fatah-Hamas reconciliation agreement, he noted that there exists "full conformity" between the political programs of the two movements.

The second prong, meant to be palatable to an international audience, accepts the existence of Israel and even recognizes its right to exist, but only as a state without any ethnic or national identity. Underlying this position is a faith that Israel will ultimately be transformed into a Palestinian state through demographics, as higher birthrates among Arab citizens of Israel and an influx of Palestinian refugees fulfilling "the right of return" create an Arab majority. Arafat best captured the logic of this argument when he spoke of the "Palestinian womb" as his best weapon against Israel. This track seems more pragmatic, but it agrees with the first position in its ultimate aims. It speaks of a two-state solution, but not of a "two states for two peoples" solution.

Despite their differences, these coexistent Palestinian approaches agree that Israel's Jewish character must not be acknowledged. To avoid doing so, the Palestinian leadership distinguishes between organizations, such as Fatah and Hamas, and institutions, such as the PLO and the Palestinian Authority. The former continue to reject the existence of the state of Israel entirely, whereas the latter formally recognize Israel—with which they must interact in order to operate—but continue to indoctrinate the Palestinian public against any acceptance of Israel as a Jewish state. This dichotomy was best expressed in 2006 by PA President Mahmoud Abbas, who told Palestinian television that "Hamas, Fatah, and the Popular Front [for the Liberation of Palestine] are not being asked to recognize Israel. . . . It's the right of any organization [to deny Israel's existence]. But the government . . . will have to operate daily with the Israelis . . . to solve people's problems." This careful division allows Palestinian institutions to seem reasonable, currying favor with and receiving assistance from the international community, while still bypassing recognition of Israel as a Jewish state. And it allows Palestinian political parties themselves to avoid recognizing Israel as a state at all.

## REASONS FOR REJECTION

Last November, writing in the Israeli newspaper *Yediot Ahronot*, Saeb Erekat, the chief Palestinian negotiator, summarized the three fundamental reasons why Palestinians have continued to resist the notion of a Jewish Israel. First, he wrote, recognition of Israel as a Jewish state would "empty the negotiations on the refugee issue of all content," implicitly abandoning any hope for Palestinian refugees from the 1948 war and their descendants to return to their former homes now within Israeli territory. Although the Palestinians have offered some compromise on this question in the past, they remain unwilling to publicly renounce the right of return—which, if implemented, would threaten or ultimately eliminate the Jewish majority in Israel.

Erekat also said that recognizing Israel as a Jewish state would "adversely impact the rights of Palestinian citizens of Israel." This is a baseless argument, since Israel will continue to guarantee the full and

equal civil rights of all its citizens, and reflects the way in which Palestinian leaders see the Arab citizens of Israel as allies in their struggle. Only last year, for example, an Arab member of Israel's Knesset was introduced at a PLO rally as "our representative within the 1948 territories."

Finally, Erekat pointed out that recognition of Israel's Jewish character would require the Palestinians to change their basic narrative about the conflict to the point of its "absolute annulment." From his perspective, recognition of Israel as a Jewish state would mean the "adoption of Zionist ideology," a position that the Palestinian national movement could never endorse.

For these reasons, the so-called moderate Palestinians, whom Erekat represents, will agree only to an Israel with no formal ethnic identity and that thus has the potential of becoming an Arab-majority state. These leaders praise the idea of a two-state solution but deliberately reject the notion of two states for two peoples or two nation-states. For example, Abbas declared in 2007 that "Israel has Jews and other people, and this we are ready to recognize, but nothing else." More recently, Abbas' associate Nabil Shaath told a Lebanese television network that the "two states for two peoples" formula "is unacceptable to us. . . . They can describe Israel itself as a state for two peoples, but we will be a state for one people."

Indeed, when challenged, the current Palestinian leadership has steadfastly maintained its opposition to recognizing Israel as a Jewish state. Speaking in Ramallah this past August, Abbas said, "Don't order us to recognize a Jewish state. We won't accept it." And he and his team reinforce this notion throughout Palestinian society. Palestinian school curricula publish maps that omit Israel, and Palestinian state-run television airs testimonials such as this one from May 2010: "I'm from Jaffa, I'm from Haifa, I'm from Acre, I'm from Nazareth. . . . Where are you [Jews] from? Why have you stolen my homeland and taken my place? This is my homeland. Go back to your homeland."

These statements must be taken seriously. They are not simply rhetoric, meant to win public support or to be used as a bargaining chip in negotiations. Were that the case, the Palestinians would have used them long ago as leverage to win a favorable compromise and gain the state that they claim to seek. Instead, they have failed to demonstrate any desire to relinquish these positions for the sake of peace and sought to force the recognition issue off the agenda through a variety of deflections.

To begin with, they argue that the Israeli government's current request that the Palestinians recognize Israel as a Jewish state is a new precondition set by Netanyahu, simply meant to stall the peace process. Yet this particular issue, whose resolution is not an Israeli prerequisite for talks, has surfaced in every round of negotiations between the parties, either explicitly or in relation to topics such as the refugee question. Indeed, the official reservations of Prime Minister Ariel Sharon's government to the "road map" peace plan, introduced in 2002, highlighted the absence of Palestinian recognition of Israel as a Jewish state and insisted that "declared references must be made to Israel's right to exist as a Jewish state and to the waiver of any right of return for Palestinian refugees to the State of Israel." According to documents of negotiations

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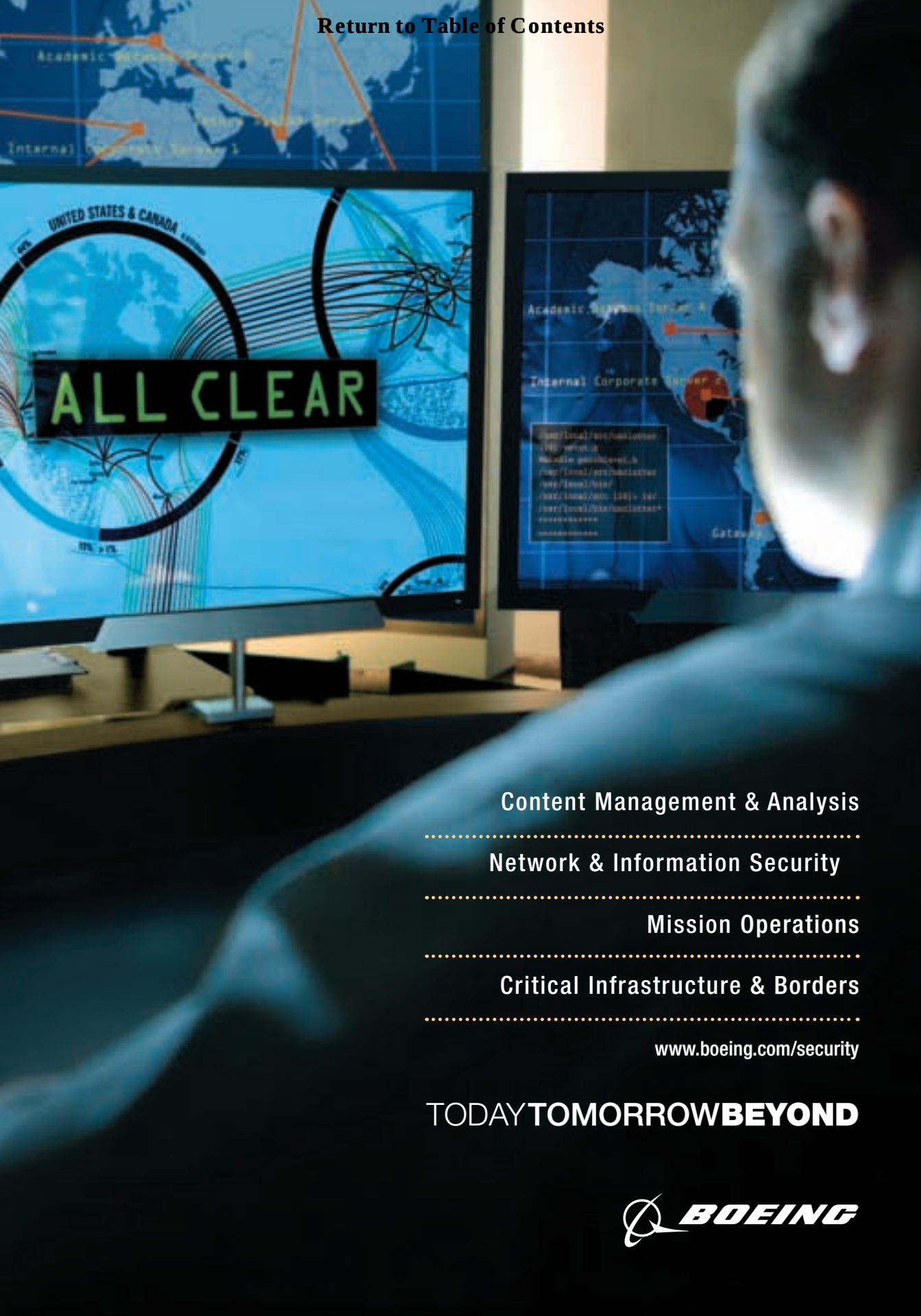


held in 2008 between then Israeli Foreign Minister Tzipi Livni and the Palestinian negotiator Ahmed Qurei, leaked by al Jazeera and *The Guardian* last January, Livni stressed that "Israel is a Jewish state" and its nation "the Jewish nation."

Palestinian leaders also exploit Israel's demand to be recognized as a Jewish state as a means of inflating the religious dimension of the conflict. According to the basic Palestinian position, Judaism is merely a religion, not a nation—and, as a result, Jews should not be entitled to an independent state. The Palestinian National Charter, for example, originally stated that "Judaism, being a religion, is not an independent nationality. Nor do Jews constitute a single nation with an identity of its own; they are citizens of the states to which they belong." This position ignores the fact that Israel seeks acceptance not of its religious identity but of its ethnic and national character as the nation-state of the Jewish people. Even so, Israel maintains a reasonable separation between religion and state, and it has no desire to become a theocracy.

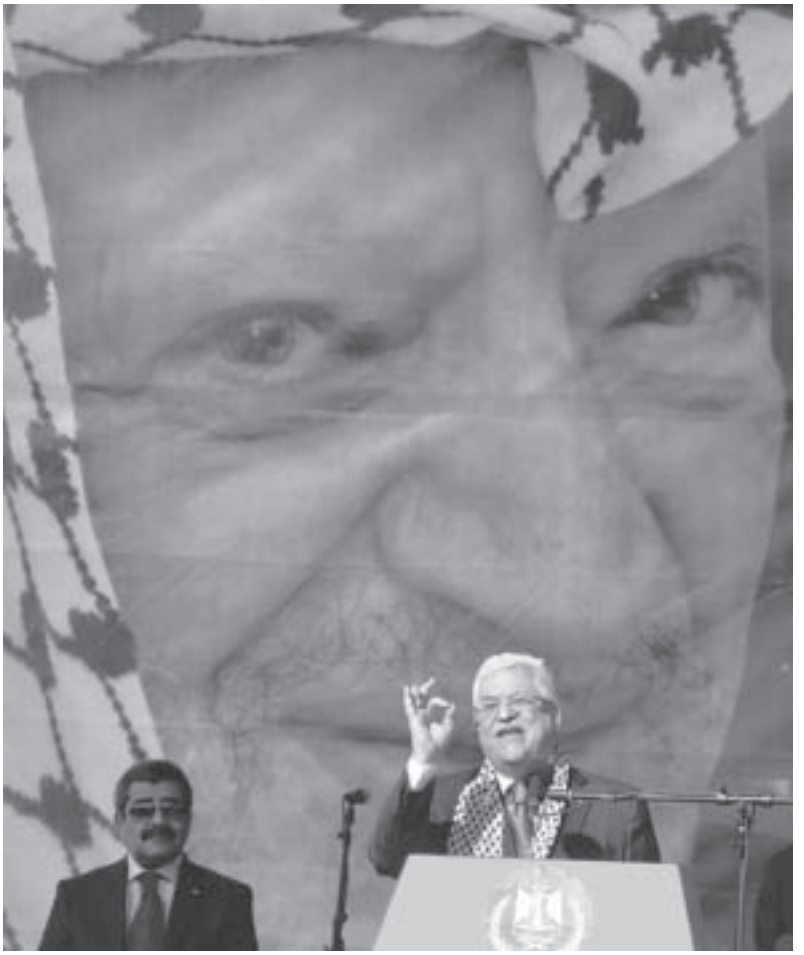
So far, the international community has proved unwilling to pressure the Palestinians on this point. Of late, U.S. policymakers and some of their European counterparts have begun to emphasize their commitment to Israel as the Jewish state or the homeland of the Jewish people and to refer to the need to reach a settlement involving "two states for two peoples" (and not just "two states"). For example, whereas the road map made no reference to Israel as a Jewish state, U.S. President Barack Obama called this past May for mutual recognition based on "two states for two peoples" and acceptance of Israel as a "Jewish state and the homeland for the Jewish people." A subsequent French initiative referred to "two states for two peoples" (albeit without explicitly mentioning the Jewish people) and was followed up in July by French Foreign Minister Alain Juppé's call for Israel to be recognized as the "nation-state of Israel for the Jewish people."

But the United States and the European Union have largely preferred to focus on the other core issues rather than pressure the Palestinians to recognize Israel as a Jewish state. The Palestinians can thus claim, with some degree of truth, that there has never been any global expectation that they accept Israel as the nation-state of the Jewish people.

### WHY RECOGNITION MATTERS

The Palestinians often say that it is not their job to define Israel's identity. In April, for instance, Abbas declared that Israel could name itself "the Hebrew Socialist Republic" if it wanted, but that it was "none of [his] business." But acknowledgment of Israel as a Jewish state is both justified and critical. To begin with, Palestinian acceptance would ease Israeli fears about the Palestinians' true motivations. The violent Palestinian uprising launched after the breakdown of the Oslo process in 2000 was at least partially financed and orchestrated by the PA leadership, leaving Israelis cynical about the PA's intentions. Although Abbas has stated his personal opposition to armed resistance, which he regards as counterproductive to the Palestinian cause, Israelis remain wary of terrorism emanating from territory controlled by the PA.

A peace based on mutual recognition—a positive peace—is the only long-term antidote to the deep-seated cultural



ABED OMAR QUSINI/REUTERS

*Palestinian President Mahmoud Abbas in Ramallah, November 11, 2010*

animosity between the two sides. Any agreement that does not address the underlying ideological motivations of the conflict would allow for an eruption of hostilities at the first sign of trouble. Social and political institutions that promote violence can be eliminated only through the development of a culture of peace and a transformation of the popular mindset. The Palestinians are not alone in needing to combat the radical ideologies in their midst; Israel must also devote more effort to uprooting pockets of xenophobia among its people.

Palestinian leaders often complain that Israel did not seek this kind of mutual recognition in its peace treaties with Egypt and Jordan. This is true, and it is regrettable that these countries do not acknowledge Israel as a Jewish state; their lack of acceptance is certainly one of the reasons that the wider public in those countries has not embraced their peace with Israel. But the relationship between Israel and the Palestinians is fundamentally different from that between Israel and Egypt or Jordan.

To begin with, in their negotiations with Israel, Egypt and Jordan never asserted any territorial claims against the area of sovereign Israel. Unlike many Palestinians today, the Egyptians and the Jordanians harbor no aspirations to make Israeli cities, such as Haifa or Jaffa, part of

their respective states. And whereas there are no Egyptian or Jordanian national minorities living within Israel, many Arab citizens of Israel identify themselves as Palestinian nationals. Operating among them are political, religious, and ideological forces dedicated to subverting the existence of Israel as the nation-state of the Jewish people. In 2006, for example, representatives from the National Committee for the Heads of the Arab Local Authorities in Israel issued a document entitled *The Future Vision of the Palestinian Arabs in Israel*, which calls for the introduction of "consensual democracy" in Israel, in which both the Palestinian and the Jewish nations would partner to govern Israel jointly—the equivalent of a binational state. And leaders of the Islamic Movement in Israel, a group advocating Islam among Arab citizens of Israel, have been convicted of funneling millions of dollars to Hamas. If Israel were to drop its demand for recognition of its Jewish character, it would lay the groundwork for collaboration between leaders of a future Palestinian state and sympathetic Arab citizens of Israel to erode Israel's legitimacy as a Jewish nation-state.

There are also basic strategic disparities between Israel's agreements with Egypt and Jordan and its relationship with the Palestinians. Egypt and Jordan are organized, sovereign actors on the international stage with a monopoly over the use of force within their borders, as well as U.S. allies. These conditions allowed for reasonable security arrangements and buffers to be put in place with Israel. But the same realities do not prevail in the Palestinian context. The PA is only a would-be state without any legacy of governance or practice in exercising a monopoly over violence. Should it achieve sovereignty, it may not be able to stand on its own two feet without the security support that it receives from Israel, as its loss of Gaza to Hamas in 2007 demonstrated. Whereas both Egypt and Jordan perceive the attempts of terrorist groups to operate against Israel from within their respective territories as a threat to their own interests, it is far from certain that a Palestinian state would take a similar view. In fact, if a newly created Palestinian state did not accept Israel as a Jewish state, it is possible that it would eventually serve as a launch pad for terrorist strikes against Israel's heartland.

These disparities render peace with the Palestinians distinct from both the Egyptian and the Jordanian cases and explain Israel's insistence that a positive peace is essential for any final settlement.

### THE CHALLENGE OF RECONCILIATION

True progress between the Israelis and the Palestinians will require a daring paradigm shift. Rather than a focus on the issues of settlement activity and territory, success in the negotiations will first require at least a tentative change in the Palestinian position on recognition of Israel as a Jewish state. Such a change would address Israel's primary security concerns and facilitate rapid progress on all the remaining core issues.

The leadership of pre-state Israel accepted the notion of partitioning mandatory Palestine into two states in 1937, and in more recent times, Israeli leaders have demonstrated that they accept that the Palestinians have legitimate national rights—including the right to self-determination in the historic birthplace of the Jewish people. Israel has adopted this position despite serious reservations about Palestinian nationalism and Palestinian leaders' unflinching

resistance to the existence of the Jewish state. There must now be reciprocity. Israel is prepared to facilitate the creation of a Palestinian state and forgo the dream of a Greater Israel. In return, the Palestinians must abandon their ambitions of eventually expanding their state to encompass all of mandatory Palestine.

But it appears that Abbas simply does not want, feels no need, or is perhaps unable to offer substantive concessions or acknowledge Israel as a Jewish state. In the absence of external pressure, which could conceivably induce him to reconsider his position, and fearing a challenge to his authority from Hamas and other extremist groups, Abbas may continue to resist affirming Israel's Jewish identity. His hesitancy to take such a step is particularly troubling because it is hard to imagine another Palestinian figure with his pedigree, as a founding member of Fatah, who would be capable of doing so.

Without Abbas' cooperation, the best that could be hoped for is a cold peace. The Palestinians might continue pursuing unilateral actions against Israel in the international community, but this would only undermine the prospects for a lasting reconciliation. Or they may decide to wait for a future Israeli government that takes a less stringent view of its security requirements, including the issue of Palestinian recognition of Israel as a Jewish state—although it is unlikely that the Israeli public would elect a leader willing to capitulate on these core components.

Accordingly, if the Palestinians remain steadfast in their refusal to recognize Israel as the nation-state of the Jewish people, Israel will necessarily shift its focus toward devising a framework that enables some kind of conflict management. Such an arrangement might involve Israel's continued support for the capability of the Palestinians to guarantee internal security and contribute to broader regional security, while providing a better quality of life for their citizens. Moreover, Israel and the Palestinians could consider interim agreements, such as one that would create a Palestinian state with provisional boundaries. In this context, Israel could work with the Palestinian leadership to promote a culture of peace and tolerance.

But these steps would not solve the fundamental problem impeding negotiations. If Abbas is to gain the confidence of the Israeli public, he must be prepared to sign an agreement that incorporates formal Palestinian acceptance of Israel as the nation-state of the Jewish people. Without this acknowledgment, even effective security cooperation will not win the full trust of the Israelis. Abbas must be made to understand that the only avenue to Palestinian independence—which, at this juncture, only he can achieve—runs through such recognition.

Unfortunately, the Palestinian president appears fundamentally uninterested in negotiations without preconditions. This is, on one level, understandable, for it will be hard to reach an equitable compromise with Israel and still meet the expectations of the Palestinian public. It is a challenge for Abbas to cooperate with Israel's security arrangements or make concessions that generations of Palestinians have been indoctrinated to reject. But the path to peace is difficult—and if Abbas truly wants to establish an independent and flourishing Palestinian state, he is going to have to do the hard work of accepting that Israel is the nation-state of the Jewish people and convincing his people to do the same.

# Israel's Bunker Mentality

## How the Occupation Is Destroying the Nation

*Ronald R. Krebs*

For the Israeli right and its allies around the world, the greatest danger to Israel's future is the unwillingness of Palestinians to make peace. The Israeli-Palestinian conflict does threaten Israel, but not, as the right would have it, because militant and even seemingly moderate Palestinians harbor plans to drive the Jews into the sea. Rather, the conflict threatens Israel because of the havoc it wreaks on the country's internal politics. Since 1967, when Israel occupied the West Bank and the Gaza Strip, its presence in those territories has played a central role in structuring Israeli politics, transforming a country once brimming with optimism into an increasingly cynical, despondent, and illiberal place.

By inducing a bunker mentality among Israelis, the occupation has bred an aggressive ethnic nationalism that privileges the interests of Israel's Jewish citizens over those of its Arab citizens, who have come to feel that they will never be treated fairly in an Israel defined as a Jewish state. At the same time, by paralyzing the Israeli political system, it has strengthened ultra-Orthodox political parties, which have exploited divisions between the right and the left to become kingmakers. In exchange for their parliamentary support, they have demanded economic subsidies for their constituents, who often devote their lives to studying Jewish texts rather than participating in the work force. Educated, largely secular elites, frustrated by low pay and high taxes, have, until recently, been emigrating in substantial numbers, and the long-term prospects for reversing this brain drain are poor as long as the occupation continues. These are the real threats to Israel's founders' vision of a democratic, Jewish, and prosperous state.

Yet all is not lost. A centrist governing coalition could halt Israel's slide toward illiberalism, offer its Arab citizens hope for equality and justice, compel its burgeoning ultra-Orthodox population to earn their keep rather than live off the state, and give Israel's educated class a reason to stay. This is what must happen for Israel to keep its

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Ronald R. Krebs is Associate Professor of Political Science at the University of Minnesota. He is the author of *Fighting for Rights: Military Service and the Politics of Citizenship* and a co-editor of *In War's Wake: International Conflict and the Fate of Liberal Democracy.*

successful economy humming and ensure that its blemished but vibrant democracy can thrive. But such a coalition will remain a distant dream as long as the occupation continues to loom over Israeli politics.

### BORDER OPENINGS

In the years after its independence, Israel became a rare success story in the postcolonial world. The country managed to absorb hundreds of thousands of immigrants from around the world, foster economic growth, and build a powerful military. To be sure, its democracy was flawed—a military administration governed its Arab citizens until 1966, and Jews of North African and Arab descent lagged behind their European counterparts—but it was also real.

These achievements were made possible in part by the fact that, until 1967, Israel's borders appeared to be settled. The armistice lines established in 1949 in a series of bilateral agreements between Israel and its Arab enemies at the end of the War of Independence became the country's de facto boundaries. Israeli leaders across the political spectrum understood that the young, struggling country could not afford to pursue the dream of a state that stretched from the Mediterranean Sea to the Jordan River. An issue that once had bitterly divided Zionists no longer seemed relevant, allowing Israel's leaders to devote their attention to the practical business of building a new state.

But the June 1967 war put the question of Israel's boundaries back on the table, undoing 20 years of progress in six days. Since then, the question of what to do with the occupied territories has paralyzed Israeli politics. From the start, there were those who wanted to annex the territories, whether to acquire defensive depth or to fulfill divine command. Others foresaw that Israel would not be able to permanently rule over so large a non-Jewish population without undermining either its Jewish character or its democratic principles. Divided over territory and security, the Israeli public has repeatedly failed to provide a clear mandate for the left or the right, and the resulting coalition governments have often rested on slender and unstable parliamentary majorities. The basic fissures stemming from this debate over the occupation have allowed parties with narrow agendas to hijack the system and extort high prices for their support. Well-meaning political reforms designed to force the Israeli public to directly address the core issue of Israel's future in the territories, such as by instituting the direct election of the prime minister, seemed promising at first, but these efforts only further weakened the major political parties and contributed to the fracturing of the electorate. As a result, Israeli governments have continued to lurch from crisis to crisis, unable to summon the will to confront the country's most pressing issues. Proposals for constitutional reform to solve these problems have been hotly debated, but they overlook the underlying culprit: the politics of the occupation.

### ISRAEL, RIGHT OR WRONG

First and foremost, the ongoing occupation has fueled an aggressive ethnoreligious nationalism that has become increasingly prominent in Israeli politics. Although a certain amount of ethnocentrism is inevitable in Israel—its Declaration of Independence defines it, after all, as "the Jewish state"—its formally civic state institutions gradually became more authentically civic between 1948 and 1967, nurturing the emergence of an "Israeli" identity that

RONEN ZVULUN/REUTERS

*An Israeli soldier near the settlement of Neve Dekalim, in the Gaza Strip, May 22, 2005*

embraced all of Israel's citizens, regardless of their religion or ethnicity, as opposed to an exclusively Jewish national identity. But the 1967 war reignited dreams of incorporating into modern Israel the areas of the West Bank that had been the birthplace of Judaism. As Israel's Jewish citizens reengaged with the major historical and religious sites of their tradition, such as the Western Wall, they increasingly embraced their Jewishness at the expense of a civic Israeli identity. At the same time, successful Arab efforts to delegitimize Israel on the international stage, most famously through the 1975 United Nations resolution that equated Zionism with racism, fed a sense of isolation among Israeli Jews, reinforcing the appeal of ethnoreligious nationalism.

Although Israel gradually embraced a more liberal politics in the wake of the first intifada and the Oslo accords, the country's ethnocentric tendencies have deepened in the last decade. This is partly because of the growth of certain communities—such as immigrants from the former Soviet Union, nearly one million of whom have come to Israel since the end of the Cold War, and religious Jews, both ultra-Orthodox and Zionist—whose commitment to liberal democracy is, for a variety of historical and ideological reasons, uncertain at best. But the changing nature of the conflict over the past decade is also a major factor. According to the dominant Israeli narrative, the dream of the Oslo process collapsed in 2000 when the Palestinian leadership not only rejected Israel's generous peace offer but also launched the second intifada. The subsequent violence left Israelis frustrated and disillusioned. They generally feel that Israel has tried everything to end the conflict, from negotiations several times over to a unilateral disengagement from Gaza in 2005 and a halt to settlement construction only last year, and that they have been repaid by the Palestinians with terrorism and obstruction. Israelis believe that the international community has unconscionably rewarded Palestinian villainy and that Israel's reasonableness has

won it only global opprobrium. Under the pressure of boycott campaigns, a stream of international investigations into Israel's military conduct, potential lawsuits in foreign courts against Israeli soldiers and officials for alleged human rights violations, the Palestinian quest for statehood at the UN, and deteriorating relations with Egypt and Turkey, Israelis have not felt this alone and embattled for a generation.

The country's abiding sense of anxiety has advanced the fortunes of, among others, Israeli Foreign Minister Avigdor Lieberman and his pugnacious and stridently nationalist party, Yisrael Beitenu (Israel Our Home). The party represents the interests of Israel's Russian-speaking population; immigrants, predominantly from the former Soviet Union, gave twice as much support to Yisrael Beitenu as to any other political party in Israel's elections in 2009, and they supply many of its prominent leaders. But Yisrael Beitenu's appeal goes beyond ethnic immigrant politics; over half the party's support in 2009 came from nonimmigrant populations, and Israel's illiberal turn is sufficiently broad-based that it cannot be blamed on the legacy of communism come to roost in the Middle East. Lieberman has proposed the involuntary transfer of some of Israel's Arab citizens to a future Palestinian state in exchange for retaining Jewish settlement blocs in the West Bank and has disparaged Israeli human rights nongovernmental organizations (NGOs) as "terror groups and terror supporters."

Indeed, Lieberman and members of his party have led the charge in attempting to silence Israeli NGOs focused on human rights and civil liberties. Together with allies in the right-wing Likud and the purportedly moderate Kadima, they have proposed bills that would establish a Knesset commission to investigate these groups' funding, that would limit their sources of support, and that would ban those that are merely suspected of opposing the definition of Israel as a Jewish state. Some troubling bills have already passed, including one approved in July that renders those calling for an economic, cultural, or academic boycott of people or institutions in Israel or the occupied territories liable to civil lawsuit.

Optimists argue that the illiberal bills will either fail, pass in watered-down form, or be struck down by the Israeli Supreme Court. But the court's independence has come under legislative fire, and it is unclear whether it would buck the prevailing political trends. This threat to civic freedom has made for strange bedfellows; representatives of left-wing NGOs now sing the praises of longtime Likud critics, such as Reuven Rivlin, Speaker of the Knesset, who declared in *Haaretz* this past July that he was "ashamed and mortified" by the law punishing boycotts. But Rivlin and his party allies hail from an older generation of right-wing politicians dedicated to individual liberties that is now fading away. Israel's bulwarks against the forces of illiberal nationalism are crumbling.

### OUTSIDERS ON THE INSIDE

The growing ethnocentrism among Israeli Jews as a result of the occupation has also imperiled Israel's Arab citizens, who today constitute just over 20 percent of Israel's population and feel increasingly alienated from the state. Arab municipalities have always received less funding and support than their Jewish counterparts, and Arab citizens lag far behind in life expectancy, educational achievement, and employment opportunities—a gap that has only grown

in recent years. According to the Association for the Advancement of Civic Equality in Israel, overall inequality between Jews and Arabs in health, housing, education, employment, and social welfare increased by 4.3 percent between 2006 and 2008.

On top of this, over the past decade, Arab citizens have suffered increasing hostility from the Israeli government. For example, in 2007, the Israeli newspaper *Maariv* reported that the head of the Shin Bet, Israel's domestic security service, had warned Israeli Prime Minister Ehud Olmert that Israel's Arab citizens had become a "strategic threat." Since 2009, Knesset members from the three largest parties, Kadima, Likud, and Yisrael Beitenu, have put forward a parade of anti-Arab bills, including a mandate that all new immigrants swear an oath of loyalty to Israel as a Jewish state. The Knesset also passed a law that was designed to restrict Arab citizens' commemoration of the *nakba* (catastrophe), when Arabs mourn the establishment of Israel and the displacement of the Palestinians, and in early August, it began considering a new "basic law"—the equivalent of a constitutional provision in Israel—that would demote Arabic, which has been an official language of Israel since 1948, to second-class status.

This intensified discrimination against Arab citizens has come against the backdrop of the second intifada and Israel's subsequent military campaigns against Hezbollah in Lebanon and Hamas in Gaza. Over the past decade, leaders of Israel's Arab community have repeatedly declared their unabashed support for the Palestinian national cause, insisting that an Israel defined as a Jewish state is intolerable and proposing alternative visions, ranging from a liberal "state of all its citizens" to a consociational arrangement along the lines of Belgium's to a binational state. Some have even endorsed violence against Israeli civilians, and a small number of Arab citizens have been caught materially supporting terrorism.

The combination of these factors has led Israeli Jews to become deeply suspicious of their fellow Arab citizens. According to polling conducted by the University of Haifa, in 2009 upward of 65 percent of Israeli Jews saw Arab citizens as more faithful to the Palestinian national struggle than to Israel. In those same polls, nearly 80 percent of respondents said they believed that "decisions on the character and borders of the state" should require the approval of a majority of Jewish citizens only, not of the Israeli population as a whole. A majority of Jewish respondents opposed the rights of individual Arab citizens to buy land anywhere in Israel, and a substantial minority (more than 30 percent) believed Arab citizens should be denied the right to vote. These views reflect not just Jewish antipathy toward Arabs but also the ebb and flow of the Israeli-Palestinian conflict: according to the University of Haifa data, Jewish rejection of Arab citizens' right to live in Israel and to vote was lowest in the mid-1980s, before the first intifada, and in the mid-1990s, at the height of the Oslo peace process.

It comes as no surprise, then, that according to these same polls, in 2009 nearly 60 percent of Israel's Arab citizens preferred to identify themselves as "Palestinians" rather than "Israeli Arabs," as opposed to only 50 percent who did so in 2003. The polls found that the percentage of Arab citizens endorsing the "right of Israel within the Green Line . . . to exist as a

Jewish and democratic state in which Arabs and Jews live together" plummeted from 66 percent in 2003 to just 41 percent in 2008. In 2009, over half viewed a Jewish and democratic Israel as inherently racist, and nearly 75 percent endorsed using all legal means to transform Israel from a Jewish into a binational state. The University of Haifa data suggest that the Arabs' views are also in large part a product of the conflict: four times as many rejected Israel's right to exist in 2009 as did in 1995.

With the era of mass Jewish immigration almost certainly over, Arab citizens, whose rates of reproduction remain higher than those of their Jewish counterparts, are a growing political force. As long as the occupation continues to structure Israel's political discourse, relations between Jewish and Arab citizens of Israel will remain trapped in a cycle of mutual distrust and provocation. The legitimate claims of Arab citizens for equal rights and resources will continue to be brushed aside, and nonviolent challenges to Israel's Jewish character will continue to be branded as treason.

The occupation has impeded a serious national conversation in Israel about how the country should negotiate the inherent tensions between its ethnoreligious and civic identities—a conversation that must take place, because Israel's future as a Jewish state and a democracy hangs in the balance.

#### AN UNHOLY BURDEN

The rapid growth of Israel's ultrareligious (*haredi*) population is contributing to the country's rising illiberalism. In fact, the University of Haifa found that *haredim* ranked lower than any other Jewish group in their support for coexistence with Israel's Arab citizens.

But of equal concern is the threat *haredim* pose to Israel's future prosperity. *Haredi* parties traditionally exploited divisions over Israel's territorial future to become free-agent kingmakers, selling their support to left- or right-leaning governing coalitions in exchange for massive communal subsidies. Although their constituents have since moved far to the right, making such ideological flexibility less likely, *haredi* parties have continued to command a substantial bounty. In return for *haredi* votes in the Knesset, Israel's governments have funded full-time study in yeshivas for adult men and separate *haredi* primary and secondary schools with limited state oversight and secular education. And thanks to an arrangement dating back to Israel's creation, *haredim* are exempted from serving in the Israel Defense Forces as long as they study in yeshiva. A program that initially provided a special waiver to 400 students now excuses some 50,000 military-age ultra-Orthodox men from service. Backed by an entrenched cultural norm that valorizes full-time religious study, many of these young men remain in yeshivas for the rest of their lives. *Haredi* unemployment has dropped in recent years, but according to the Bank of Israel, less than 40 percent of *haredi* men were employed in 2009. For those between the ages of 30 and 34, this number was less than 25 percent.

The burden of the *haredi* population on the Israeli economy is immense and growing. In 2010, the Israeli Ministry of Industry, Trade, and Labor found that *haredim*, who comprise less than ten percent of Israel's population, make up 20 percent of the country's poor and that some 56 percent of *haredim* live under the poverty line. In addition, per-child social welfare payments disproportionately aid large *haredi* families. According to Israel's Central Bureau of Statistics, *haredi* women averaged 6.5 children in 2007–9, lower than in previous years but still more than double than the national average of 3.0. Because *haredim* tend to marry at a young age and have high fertility rates, their median age is less than half that of the overall Israeli population. According to the Metzilah Center, an Israeli think tank, the *haredi* community will double in the next 20 years, to 15 percent of Israel's overall population, or over 20 percent of the Jewish populace. The center predicts that by 2028, 25 percent of all children in Israel, and 33 percent of Israel's Jewish children, will come from *haredi* families.

Such statistics worry those responsible for Israel's economy. Last year, Stanley Fischer, governor of the Bank of Israel, and Yuval Steinitz, Israel's finance minister, warned that unemployment in the *haredi* population threatens Israel's prosperity. Fischer bluntly declared that the current system "is not sustainable." "We can't have an ever-increasing proportion of the population continuing to not go to work," he said. Steinitz was, if anything, more pessimistic: "Without a change now, within ten years the situation will be a catastrophe." The Israeli government could compel *haredim* to acquire secular education and join the work force by, for example, reducing per-child welfare payments or forcing young *haredi* men to serve in the military. But these options will remain nonstarters as long as Israeli governments rise or fall on the support of ultra-Orthodox parties. And as the *haredi* population continues to grow, a moderate coalition that might force it to reform will become more and more unlikely—even if the occupation were to end.

Subsidies for the *haredim* are one of the reasons that the overall tax burden on Israel's citizens is high, helping propel a slow exodus of largely secular Jewish elites from the country. In recent years, Israel has suffered from a brain drain, in which large numbers of its most talented citizens have gone abroad to complete advanced degrees and have not returned. Although the loss of highly skilled labor is typical for less developed nations, it is unusual for a developed, economically vibrant country such as Israel. According to a 2007 study in the *Israel Economic Review*, between 1995 and 2004, nearly five percent of Israelis between the ages of 30 and 40 with at least a master's degree left the country. The study also found that college-educated Israelis immigrated to the United States at a higher rate than college-educated citizens of any other country. As of 2007, the number of Israeli lecturers at U.S. universities was equivalent to 25 percent of Israel's total senior academic staff—double the analogous ratio for Canada, which ranked second, and nearly six times those for Holland and Italy, which were next in line. Israel's Central Bureau of Statistics found that between 1990 and 2009, 260,000 more Israelis left the country for at least a year than returned from a year or more abroad. Although the recent economic stagnation in Europe and the United States appears to have slowed this trend, it remains to be seen whether this is a temporary aberration or a permanent shift.

One cause of this flight is economic and professional opportunity. Israelis working in the sciences and high-tech industries often find higher salaries and better research environments overseas. Last year, in an effort to entice the country's most capable scientists to remain in Israel,

the government designated $350 million to create 30 centers for scientific excellence within five years. But that move is not likely to be enough. The study in the *Israel Economic Review* found that Israelis living in the United States had left Israel largely not because of lack of research opportunities but because of its cost of living, high taxes, excessive government regulation, poor schools, and the security situation. Given the likelihood that these factors will remain in place, there is little reason to think that the brain drain will slow. As the impoverished *haredi* population grows, Israel's best-educated and high-earning citizens will bear the burden of subsidizing it. And if Israel's politics continue down the path of ethnocentrism, Israel's best and brightest may have yet another reason to leave.

The occupation is not the sole cause of Israel's brain drain, but it does contribute to the problem. Relieving Israel of the burdens of the occupation would improve the nation's security, weaken the political standing of the *haredim*, and allow the Israeli government to refocus its spending. By feeding into the brain drain, the politics of the occupation are putting Israel's long-term prosperity at risk.

#### BACK TO THE FUTURE

The occupation stands at the center of the challenges to Israel's future as a Jewish, democratic, and prosperous state. It has fueled nationalist chauvinism among Israeli Jews, promoted discriminatory state policies and greater bigotry toward Israel's Arab citizens, produced divisive politics that have empowered the *haredi* community to pursue its own interests at the expense of the state, and contributed to Israel's brain drain.

Only by abandoning the occupation can Israel cure these political ills and undergo the revolution it needs. Resolving the conflict could deflate the current ethnocentric mood among Israeli Jews and encourage Israel's Arab citizens to end their unproductive provocation. It would allow a coalition of forces from among Israel's secular mainstream parties to join forces to defend liberal values, provide for greater equality for Arab citizens of Israel, and compel the *haredim* to become productive members of society. Israel's democracy would still face a number of problems: most notably, extreme wealth inequality, continued political instability in surrounding Arab states, and Iran's quest for nuclear weapons. But an end to the occupation would allow Israel to shed its unsustainable subsidies to the settlers and the *haredim*, freeing up resources to rebuild the country's social safety net, whose erosion underpinned the mass protests that erupted this past summer. And it would give Israel the chance to rebut critics who argue that Israel is an irredeemably ethnocentric and even racist state.

Of course, Israel cannot end the occupation alone. A stable peace requires Palestinian partners who will persuade their people to accept negotiated borders as final, relinquish the dream of a return to their ancestral homes, and acknowledge that Israel is not a temporary interloper but a permanent presence. Such Palestinian leadership has too often failed to materialize. But Israel's commitment to peace has also too often been halfhearted. Its leaders must do all they can to end the conflict—to ensure Israel's very survival as the Jewish state and liberal democracy its founders envisaged.

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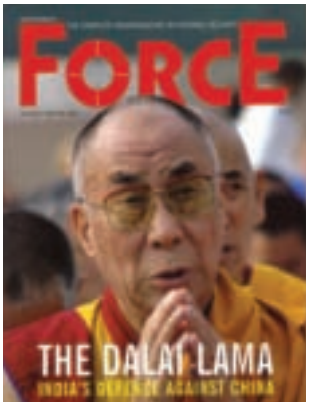




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# Essays

BRUCE GILDEN/MAGNUM PHOTOS

*Detroit, Michigan, March 2009*

## Inequality hardens society into a class system, imprisoning people in the circumstances of their birth—a rebuke to the very idea of the American dream.

# The Broken Contract

## Inequality and American Decline

*George Packer*

Iraq was one of those wars where people actually put on pounds. A few years ago, I was eating lunch with another reporter at an American-style greasy spoon in Baghdad's Green Zone. At a nearby table, a couple of American contractors were finishing off their burgers and fries. They were wearing the contractor's uniform: khakis, polo shirts, baseball caps, and Department of Defense identity badges in plastic pouches hanging from nylon lanyards around their necks. The man who had served their food might have been the only Iraqi they spoke with all day. The Green Zone was set up to make you feel that Iraq was a hallucination and you were actually in Normal, Illinois. This narcotizing effect seeped into the consciousness of every American who hunkered down and worked and partied behind its blast walls—the soldier and the civilian, the diplomat and the journalist, the important and the obscure. Hardly anyone stayed longer than a year; almost everyone went home with a collection of exaggerated war stories, making an effort to forget that they were leaving behind shoddy, unfinished projects and a country spiraling downward into civil war. As the two contractors got up and ambled out of the restaurant, my friend looked at me and said, "We're just not that good anymore."

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George Packer is a staff writer at *The New Yorker*. This essay is adapted from a Joanna Jackson Goldman Memorial Lecture on American Civilization and Government that he delivered earlier this year at the New York Public Library's Cullman Center for Scholars & Writers.

*The Broken Contract*

The Iraq war was a kind of stress test applied to the American body politic. And every major system and organ failed the test: the executive and legislative branches, the military, the intelligence world, the for-profits, the nonprofits, the media. It turned out that we were not in good shape at all—without even realizing it. Americans just hadn't tried anything this hard in around half a century. It is easy, and completely justified, to blame certain individuals for the Iraq tragedy. But over the years, I've become more concerned with failures that went beyond individuals, and beyond Iraq—concerned with the growing arteriosclerosis of American institutions. Iraq was not an exceptional case. It was a vivid symptom of a long-term trend, one that worsens year by year. The same ailments that led to the disastrous occupation were on full display in Washington this past summer, during the debt-ceiling debacle: ideological rigidity bordering on fanaticism, an indifference to facts, an inability to think beyond the short term, the dissolution of national interest into partisan advantage.

Was it ever any different? Is it really true that we're just not that good anymore? As a thought experiment, compare your life today with that of someone like you in 1978. Think of an educated, reasonably comfortable couple perched somewhere within the vast American middle class of that year. And think how much less pleasant their lives are than yours. The man is wearing a brown and gold polyester print shirt with a flared collar and oversize tortoiseshell glasses; she's got on a high-waisted, V-neck rayon dress and platform clogs. Their morning coffee is Maxwell House filter drip. They drive an AMC Pacer hatchback, with a nonfunctioning air conditioner and a tape deck that keeps eating their eight-tracks. When she wants to make something a little daring for dinner, she puts together a pasta primavera. They type their letters on an IBM Selectric, the new model with the corrective ribbon. There is only antenna television, and the biggest thing on is *Laverne and Shirley*. Long-distance phone calls cost a dollar a minute on weekends; air travel is prohibitively expensive. The city they live near is no longer a place where they spend much time: trash on the sidewalks, junkies on the corner, vandalized pay phones, half-deserted subway cars covered in graffiti.

By contemporary standards, life in 1978 was inconvenient, constrained, and ugly. Things were badly made and didn't work very well. Highly

regulated industries, such as telecommunications and airlines, were costly and offered few choices. The industrial landscape was decaying, but the sleek information revolution had not yet emerged to take its place. Life before the Android, the Apple Store, FedEx, HBO, Twitter feeds, Whole Foods, Lipitor, air bags, the Emerging Markets Index Fund, and the pre-K Gifted and Talented Program prep course is not a world to which many of us would willingly return.

The surface of life has greatly improved, at least for educated, reasonably comfortable people—say, the top 20 percent, socioeconomically. Yet the deeper structures, the institutions that underpin a healthy democratic society, have fallen into a state of decadence. We have all the information in the universe at our fingertips, while our most basic problems go unsolved year after year: climate change, income inequality, wage stagnation, national debt, immigration, falling educational achievement, deteriorating infrastructure, declining news standards. All around, we see dazzling technological change, but no progress. Last year, a Wall Street company that few people have ever heard of dug an 800-mile trench under farms, rivers, and mountains between Chicago and New York and laid fiber-optic cable connecting the Chicago Mercantile Exchange and the New York Stock Exchange. This feat of infrastructure building, which cost $300 million, shaves three milliseconds off high-speed, high-volume automated trades—a big competitive advantage. But passenger trains between Chicago and New York run barely faster than they did in 1950, and the country no longer seems capable, at least politically, of building faster ones. Just ask people in Florida, Ohio, and Wisconsin, whose governors recently refused federal money for high-speed rail projects.

Our political system is more polarized, more choked with its own bile, than at any time since the Civil War.

We can upgrade our iPhones, but we can't fix our roads and bridges. We invented broadband, but we can't extend it to 35 percent of the public. We can get 300 television channels on the iPad, but in the past decade 20 newspapers closed down all their foreign bureaus. We have touch-screen voting machines, but last year just 40 percent of registered voters turned out, and our political system is more polarized, more choked with its own bile, than at any time since the Civil War.


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There is nothing today like the personal destruction of the McCarthy era or the street fights of the 1960s. But in those periods, institutional forces still existed in politics, business, and the media that could hold the center together. It used to be called the establishment, and it no longer exists. Solving fundamental problems with a can-do practicality—the very thing the world used to associate with America, and that redeemed us from our vulgarity and arrogance—now seems beyond our reach.

## THE UNWRITTEN CONTRACT

WHY AND how did this happen? Those are hard questions. A roundabout way of answering them is to first ask, when did this start to happen? Any time frame has an element of arbitrariness, and also contains the beginning of a theory. Mine goes back to that shabby, forgettable year of 1978. It is surprising to say that in or around 1978, American life changed—and changed dramatically. It was, like this moment, a time of widespread pessimism—high inflation, high unemployment, high gas prices. And the country reacted to its sense of decline by moving away from the social arrangement that had been in place since the 1930s and 1940s.

What was that arrangement? It is sometimes called "the mixed economy"; the term I prefer is "middle-class democracy." It was an unwritten social contract among labor, business, and government—between the elites and the masses. It guaranteed that the benefits of the economic growth following World War II were distributed more widely, and with more shared prosperity, than at any time in human history. In the 1970s, corporate executives earned 40 times as much as their lowest-paid employees. (By 2007, the ratio was over 400 to 1.) Labor law and government policy kept the balance of power between workers and owners on an even keel, leading to a virtuous circle of higher wages and more economic stimulus. The tax code restricted the amount of wealth that could be accumulated in private hands and passed on from one generation to the next, thereby preventing the formation of an inherited plutocracy. The regulatory agencies were strong enough to prevent the kind of speculative bubbles that now occur every five years or so: between the Great Depression and the Reagan era there was not a single systemwide financial crisis, which

is why recessions during those decades were far milder than they have since become. Commercial banking was a stable, boring business. (In movies from the 1940s and 1950s, bankers are dull, solid pillars of the community.) Investment banking, cordoned off by the iron wall of the Glass-Steagall Act, was a closed world of private partnerships in which rich men carefully weighed their risks because they were playing with their own money. Partly as a result of this shared prosperity, political participation reached an all-time high during the postwar years (with the exception of those, such as black Americans in the South, who were still denied access to the ballot box).

Like any era, the postwar years had their costs. But from where we stand in 2011, they look pretty good.

At the same time, the country's elites were playing a role that today is almost unrecognizable. They actually saw themselves as custodians of national institutions and interests. The heads of banks, corporations, universities, law firms, foundations, and media companies were neither more nor less venal, meretricious, and greedy than their counterparts today. But they rose to the top in a culture that put a brake on these traits and certainly did not glorify them. Organizations such as the Council on Foreign Relations, the Committee for Economic Development, and the Ford Foundation did not act on behalf of a single, highly privileged point of view—that of the rich. Rather, they rose above the country's conflicting interests and tried to unite them into an overarching idea of the national interest. Business leaders who had fought the New Deal as vehemently as the U.S. Chamber of Commerce is now fighting health-care and financial reform later came to accept Social Security and labor unions, did not stand in the way of Medicare, and supported other pieces of Lyndon Johnson's Great Society. They saw this legislation as contributing to the social peace that ensured a productive economy. In 1964, Johnson created the National Commission on Technology, Automation, and Economic Progress to study the effects of these coming changes on the work force. The commission included two labor leaders, two corporate leaders, the civil rights activist Whitney Young, and the sociologist Daniel Bell. Two years later, they came out with their recommendations: a

guaranteed annual income and a massive job-training program. This is how elites once behaved: as if they had actual responsibilities.

Of course, the consensus of the postwar years contained plenty of injustice. If you were black or female, it made very little room for you. It could be stifling and conformist, authoritarian and intrusive. Yet those years also offered the means of redressing the very wrongs they contained: for example, strong government, enlightened business, and activist labor were important bulwarks of the civil rights movement. Nostalgia is a useless emotion. Like any era, the postwar years had their costs. But from where we stand in 2011, they look pretty good.

## THE RISE OF ORGANIZED MONEY

TWO THINGS happened to this social arrangement. The first was the 1960s. The story is familiar: youth rebellion and revolution, a ferocious backlash now known as the culture wars, and a permanent change in American manners and morals. Far more than political utopia, the legacy of the 1960s was personal liberation. Some conservatives argue that the social revolution of the 1960s and 1970s prepared the way for the economic revolution of the 1980s, that Abbie Hoffman and Ronald Reagan were both about freedom. But Woodstock was not enough to blow apart the middle-class democracy that had benefited tens of millions of Americans. The Nixon and Ford presidencies actually extended it. In his 2001 book, *The Paradox of American Democracy*, John Judis notes that in the three decades between 1933 and 1966, the federal government created 11 regulatory agencies to protect consumers, workers, and investors. In the five years between 1970 and 1975, it established another 12, including the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Consumer Product Safety Commission. Richard Nixon was a closet liberal, and today he would be to the left of Senator Olympia Snowe, the moderate Republican.

The second thing that happened was the economic slowdown of the 1970s, brought on by "stagflation" and the oil shock. It eroded Americans' paychecks and what was left of their confidence in the federal government after Vietnam, Watergate, and the disorder of the 1960s. It also alarmed the country's business leaders, and they turned their alarm

into action. They became convinced that capitalism itself was under attack by the likes of Rachel Carson and Ralph Nader, and they organized themselves into lobbying groups and think tanks that quickly became familiar and powerful players in U.S. politics: the Business Roundtable, the Heritage Foundation, and others. Their budgets and influence soon rivaled those of the older, consensus-minded groups, such as the Brookings Institution. By the mid-1970s, chief executives had stopped believing that they had an obligation to act as disinterested stewards of the national economy. They became a special interest; the interest they represented was their own. The neoconservative writer Irving Kristol played a key role in focusing executives' minds on this narrower and more urgent agenda. He told them, "Corporate philanthropy should not be, and cannot be, disinterested."

Among the non-disinterested spending that corporations began to engage in, none was more interested than lobbying. Lobbying has existed since the beginning of the republic, but it was a sleepy, bourbon-and-cigars practice until the mid- to late 1970s. In 1971, there were only 145 businesses represented by registered lobbyists in Washington; by 1982, there were 2,445. In 1974, there were just over 600 registered political action committees, which raised $12.5 million that year; in 1982, there were 3,371, which raised $83 million. In 1974, a total of $77 million was spent on the midterm elections; in 1982, it was $343 million. Not all this lobbying and campaign spending was done by corporations, but they did more and did it better than anyone else. And they got results.

These changes were wrought not only by conservative thinkers and their allies in the business class. Among those responsible were the high-minded liberals, the McGovernites and Watergate reformers, who created the open primary, clean election laws, and "outsider" political campaigns that relied heavily on television advertising. In theory, those reforms opened up the political system to previously disenfranchised voters by getting rid of the smoke-filled room, the party caucus, and the urban boss—exchanging Richard Daley for Jesse Jackson. In practice, what replaced the old politics was not a more egalitarian

new politics. Instead, as the parties lost their coherence and authority, they were overtaken by grass-roots politics of a new type, driven by direct mail, beholden to special interest groups, and funded by lobbyists. The electorate was transformed from coalitions of different blocs—labor, small business, the farm vote—to an atomized nation of television watchers. Politicians began to focus their energies on big dollars for big ad buys. As things turned out, this did not set them free to do the people's work: as Senator Tom Harkin, the Iowa Democrat, once told me, he and his colleagues spend half their free time raising money.

This is a story about the perverse effects of democratization. Getting rid of elites, or watching them surrender their moral authority, did not necessarily empower ordinary people. Once Walter Reuther of the United Auto Workers and Walter Wriston of Citicorp stopped sitting together on Commissions to Make the World a Better Place and started paying lobbyists to fight for their separate interests in Congress, the balance of power tilted heavily toward business. Thirty years later, who has done better by the government—the United Auto Workers or Citicorp?

In 1978, all these trends came to a head. That year, three reform bills

were brought up for a vote in Congress. One of the bills was to establish a new office of consumer representation, giving the public a consumer advocate in the federal bureaucracy. A second bill proposed modestly increasing the capital gains tax and getting rid of the three-Martini-lunch deduction. A third sought to make it harder for employers to circumvent labor laws and block union organizing. These bills had bipartisan backing in Congress; they were introduced at the very end of the era when bipartisanship was routine, when necessary and important legislation had support from both parties. The Democrats controlled the White House and both houses of Congress, and the bills were popular with the public. And yet, one by one, each bill went down in defeat. (Eventually, the tax bill passed, but only after it was changed; instead of raising the capital gains tax rate, the final bill cut it nearly in half.)

Like an odorless gas, inequality pervades every corner of the United States and saps the strength of its democracy.

How and why this happened are explored in Jacob Hacker and Paul Pierson's recent book, *Winner-Take-All Politics*. Their explanation, in two words, is organized money. Business groups launched a lobbying assault the likes of which Washington had never seen, and when it was all over, the next era in American life had begun. At the end of the year, the midterm elections saw the Republicans gain 15 seats in the House and three in the Senate. The numbers were less impressive than the character of the new members who came to Washington. They were not politicians looking to get along with colleagues and solve problems by passing legislation. Rather, they were movement conservatives who were hostile to the very idea of government. Among them was a history professor from Georgia named Newt Gingrich. The Reagan revolution began in 1978.

Organized money did not foist these far-reaching changes on an unsuspecting public. In the late 1970s, popular anger at government was running high, and President Jimmy Carter was a perfect target. This was not a case of false consciousness; it was a case of a fed-up public. Two years later, Reagan came to power in a landslide. The public wanted him.

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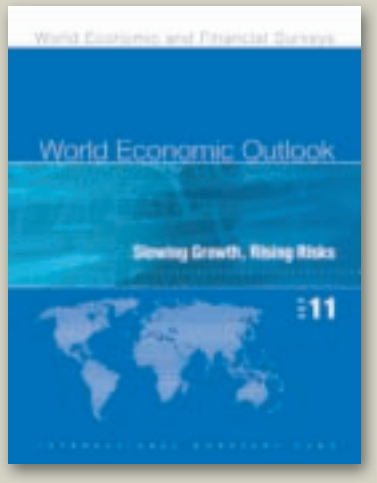




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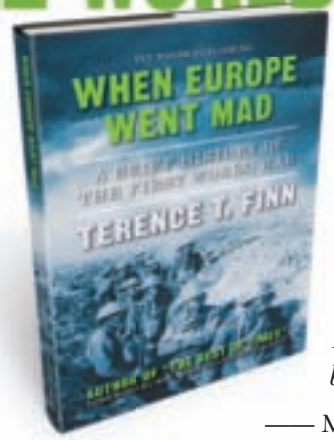


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But that archetypal 1978 couple with the AMC Pacer was not voting to see its share of the economic pie drastically reduced over the next 30 years. They were not fed up with how little of the national income went to the top one percent or how unfairly progressive the tax code was. They did not want to dismantle government programs such as Social Security and Medicare, which had brought economic security to the middle class. They were not voting to weaken government itself, as long as it defended their interests. But for the next three decades, the dominant political faction pursued these goals as though they were what most Americans wanted. Organized money and the conservative movement seized that moment back in 1978 to begin a massive, generation-long transfer of wealth to the richest Americans. The transfer continued in good economic times and bad, under Democratic presidents and Republican, when Democrats controlled Congress and when Republicans did. For the Democrats, too, went begging to Wall Street and corporate America, because that's where the money was. They accepted the perfectly legal bribes just as eagerly as Republicans, and when the moment came, some of them voted almost as obediently. In 2007, when Congress was considering closing a loophole in the law that allowed hedge fund managers to pay a tax rate of 15 percent on most of their earnings—considerably less than their secretaries—it was New York's Democratic senator Charles Schumer who rushed to their defense and made sure it did not happen. As Bob Dole, then a Republican senator, said back in 1982, "Poor people don't make campaign contributions."

## MOCKING THE AMERICAN PROMISE

THIS INEQUALITY is the ill that underlies all the others. Like an odorless gas, it pervades every corner of the United States and saps the strength of the country's democracy. But it seems impossible to find the source and shut it off. For years, certain politicians and pundits denied that it even existed. But the evidence became overwhelming. Between 1979 and 2006, middle-class Americans saw their annual incomes after taxes increase by 21 percent (adjusted for inflation). The poorest Americans saw their incomes rise by only 11 percent. The top one percent, meanwhile, saw their incomes increase by 256 percent.

This almost tripled their share of the national income, up to 23 percent, the highest level since 1928. The graph that shows their share over time looks almost flat under Kennedy, Johnson, Nixon, Ford, and Carter, followed by continual spikes under Reagan, the elder Bush, Clinton, and the younger Bush.

Some argue that this inequality was an unavoidable result of deeper shifts: global competition, cheap goods made in China, technological changes. Although those factors played a part, they have not been decisive. In Europe, where the same changes took place, inequality has remained much lower than in the United States. The decisive factor has been politics and public policy: tax rates, spending choices, labor laws, regulations, campaign finance rules. Book after book by economists and other scholars over the past few years has presented an airtight case: over the past three decades, the government has consistently favored the rich. This is the source of the problem: our leaders, our institutions.

But even more fundamental than public policy is the long-term transformation of the manners and morals of American elites—what they became willing to do that they would not have done, or even thought about doing, before. Political changes precipitated, and in turn were aided by, deeper changes in norms of responsibility and self-restraint. In 1978, it might have been economically feasible and perfectly legal for an executive to award himself a multimillion-dollar bonus while shedding 40 percent of his work force and requiring the survivors to take annual furloughs without pay. But no executive would have wanted the shame and outrage that would have followed—any more than an executive today would want to be quoted using a racial slur or photographed with a paid escort. These days, it is hard to open a newspaper without reading stories about grotesque overcompensation at the top and widespread hardship below. Getting rid of a taboo is easier than establishing one, and once a prohibition erodes, it can never be restored in quite the same way. As Leo Tolstoy wrote, "There are no conditions of life to which a man cannot get accustomed, especially if he sees them accepted by everyone around him."

The persistence of this trend toward greater inequality over the past 30 years suggests a kind of feedback loop that cannot be broken by the usual political means. The more wealth accumulates in a few hands

at the top, the more influence and favor the well-connected rich acquire, which makes it easier for them and their political allies to cast off restraint without paying a social price. That, in turn, frees them up to amass more money, until cause and effect become impossible to distinguish. Nothing seems to slow this process down—not wars, not technology, not a recession, not a historic election. Perhaps, out of a well-founded fear that the country is coming apart at the seams, the wealthy and their political allies will finally have to rein themselves in, and, for example, start thinking about their taxes less like Stephen Schwarzman and more like Warren Buffett.

In the meantime, inequality will continue to mock the American promise of opportunity for all. Inequality creates a lopsided economy, which leaves the rich with so much money that they can binge on speculation, and leaves the middle class without enough money to buy the things they think they deserve, which leads them to borrow and go into debt. These were among the long-term causes of the financial crisis and the Great Recession. Inequality hardens society into a class system, imprisoning people in the circumstances of their birth—a rebuke to the very idea of the American dream. Inequality divides us from one another in schools, in neighborhoods, at work, on airplanes, in hospitals, in what we eat, in the condition of our bodies, in what we think, in our children's futures, in how we die. Inequality makes it harder to imagine the lives of others—which is one reason why the fate of over 14 million more or less permanently unemployed Americans leaves so little impression in the country's political and media capitals. Inequality corrodes trust among fellow citizens, making it seem as if the game is rigged. Inequality provokes a generalized anger that finds targets where it can—immigrants, foreign countries, American elites, government in all forms—and it rewards demagogues while discrediting reformers. Inequality saps the will to conceive of ambitious solutions to large collective problems, because those problems no longer seem very collective. Inequality undermines democracy.

# The Wisdom of Retrenchment

## America Must Cut Back to Move Forward

*Joseph M. Parent and Paul K. MacDonald*

In the wake of the Cold War, U.S. foreign policy underwent a profound transformation. Unrestrained by superpower competition, the United States' ambitions spilled over their former limits. Washington increased its military spending far faster than any of its rivals, expanded NATO, and started dispatching forces around the world on humanitarian missions while letting key allies drift away. These trends accelerated after 9/11, as the United States went to war in Afghanistan and Iraq, ramped up its counterterrorism operations around the world, sped up its missile defense program, and set up new bases in distant lands.

Today, however, U.S. power has begun to wane. As other states rise in prominence, the United States' undisciplined spending habits and open-ended foreign policy commitments are catching up with the country. Spurred on by skyrocketing government debt and the emergence of the Tea Party movement, budget hawks are circling Washington. Before leaving office earlier this year, Secretary of Defense Robert Gates announced cuts to the tune of $78 billion over the next five years, and the recent debt-ceiling deal could trigger another $350 billion in cuts from the defense budget over ten years. In addition to fiscal discipline, Washington appears to have rediscovered the virtues of multilateralism

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and a restrained foreign policy. It has narrowed its war aims in Afghanistan and Iraq, taken NATO expansion off its agenda, and let France and the United Kingdom lead the intervention in Libya.

But if U.S. policymakers have reduced the country's strategic commitments in response to a decline in its relative power, they have yet to fully embrace retrenchment as a policy and endorse deep spending cuts (especially to the military), redefine Washington's foreign policy priorities, and shift more of the United States' defense burdens onto its allies. Indeed, Secretary of Defense Leon Panetta has warned that a cut in defense spending beyond the one agreed to in the debt-ceiling deal would be devastating. "It will weaken our national defense," he said. "It will undermine our ability to maintain our alliances throughout the world." This view reflects the conventional wisdom of generations of U.S. decision-makers: when it comes to power, more is always better. Many officials fear that reducing the country's influence abroad would let tyranny advance and force trade to dwindle. And various interest groups oppose the idea, since they stand to lose from a sudden reduction in the United States' foreign engagements.

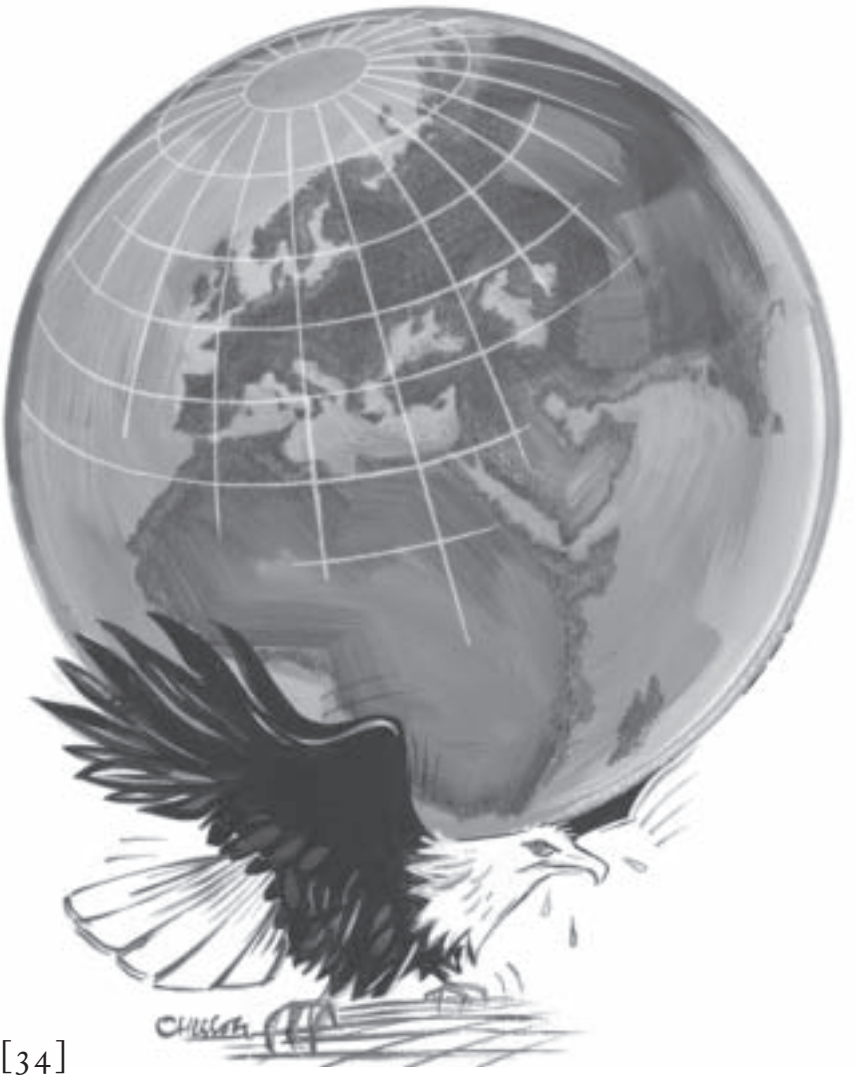
In fact, far from auguring chaos abroad and division at home, a policy of prudent retrenchment would not only reduce the costs of U.S. foreign policy but also result in a more coherent and sustainable strategy. In the past, great powers that scaled back their goals in the face of their diminishing means were able to navigate the shoals of power politics better than those that clung to expensive and overly ambitious commitments. Today, a reduction in U.S. forward deployments could mollify U.S. adversaries, eliminate potential flashpoints, and encourage U.S. allies to contribute more to collective defense—all while easing the burden on the United States of maintaining geopolitical dominance. A policy of retrenchment need not invite international instability or fuel partisan rancor in Washington. If anything, it could help provide breathing room for reforms and recovery, increase strategic flexibility, and renew the legitimacy of U.S. leadership.

## DECLINE: DELUSION OR DESTINY?

POWER IS multifaceted and difficult to measure, but the metrics that matter most over the long term are a country's military capability

and economic strength relative to rivals. Using those benchmarks, there is a strong case to be made that although U.S. decline is real, its rate is modest.

The United States invests more in its military manpower and hardware than all other countries combined. As the political scientist Barry Posen argues, this has allowed it to exercise "command of the commons." With its vast fleet of attack submarines and aircraft carriers, the United States controls the seas—even those that are not its territorial waters and those outside its exclusive economic zone. Its fighter aircraft and unmanned aerial vehicles give it unrivaled air superiority. And its dominance of outer space and cyberspace is almost as impressive.



But the United States' return on its military investment is falling. Manpower and technology costs are increasing rapidly. The Government Accountability Office reports that since the end of the Cold War, funding for weapons acquisition has increased by 57 percent while the average acquisition cost has increased by 120 percent. According to the Congressional Research Service, between 1999 and 2005, the real cost of supporting an active-duty service member grew by 33 percent. Meanwhile, the benefits of unrestricted defense spending have not kept up with the costs. As Gates put it, U.S. defense institutions have become "accustomed to the post-9/11 decade's worth of 'no questions asked' funding requests," encouraging a culture of waste and inefficiency he described as "a semi-feudal system—an amalgam of fiefdoms without centralized mechanisms to allocate resources."

The trend of the last decade is disturbing: as military spending soared, U.S. success abroad sagged. To be clear, the United States continues to field the best-armed, most skilled military in the world. The wars in Afghanistan and Iraq have bent, but not broken, the all-volunteer force, and the burden of maintaining this formidable force is not unacceptably onerous. The proposed $553 billion base-line defense budget for 2012 represents just 15 percent of the federal budget and less than five percent of GDP. (To put that figure in perspective, consider that the proposed 2012 budget for Social Security spending tops $760 billion.) Yet current trends will make it harder for the United States to continue to purchase hegemony as easily as it has in the past. Changes in military tactics and technology are eroding the United States' advantages. The proliferation of antiship cruise missiles makes it harder for the U.S. Navy to operate near adversaries' shores. Advanced surface-to-air missiles likewise raise the cost of maintaining U.S. air superiority in hostile theaters. Nationalist and tribal insurgencies, fueled by a brisk small-arms trade, have proved difficult to combat with conventional ground forces. U.S. defense dominance is getting more expensive at a moment when it is becoming less expensive for other states and actors to challenge the sole superpower.

Beyond these challenges to the country's military dominance, a weakened economic condition is contributing to the decline of U.S. power. The U.S. economy remains the largest in the world, yet its position is in jeopardy. Between 1999 and 2009, the U.S. share of global

GDP (measured in terms of purchasing power parity) fell from 23 percent to 20 percent, whereas China's share of global GDP jumped from seven percent to 13 percent. Should this trend continue, China's economic output will surpass the United States' by 2016. China already consumes more energy than the United States, and calls are growing louder to replace the dollar as the international reserve currency with a basket of currencies that would include the euro and the yuan.

The fiscal position of the United States is alarming, whether or not one believes that Standard & Poor's was justified in downgrading U.S. Treasury bonds. Between 2001 and 2009, U.S. federal debt as a percentage of GDP more than doubled, from 32 percent to 67 percent, and state and local governments have significant debts, too. The United States' reliance on imports, combined with high rates of borrowing, has led to a considerable current account deficit: more than six percent of GDP in 2006. Power follows money, and the United States is leaking cash.

The news is not all doom and gloom. Despite massive federal debt, the United States spent less than five percent of its 2010 budget on net interest payments, limiting the extent to which debt servicing costs have crowded out other spending. The United States still exports more goods and services than any other country and is close behind China as the world's largest manufacturer. In terms of market exchange rate, the U.S. economy is still more than double the size of the Chinese economy, and China faces a raft of obstacles that could slow its rise: domestic unrest, stock and housing bubbles, corruption, an aging population, high savings, and an unproven track record of innovation. Yet the overall picture is clear: the United States' economic supremacy is no longer assured, and this uncertainty will reduce its geopolitical dominance.

America has fallen into a familiar pattern for hegemonic powers: overconsumption, overextension, and overoptimism.

In essence, the United States has fallen into a familiar pattern for hegemonic powers: overconsumption, overextension, and over - optimism. But the country also has a resourceful economy and a resilient military; it is not in free fall. Now, it needs a foreign policy to match.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## RESISTING THE MYTHS OF EMPIRE

DESPITE THE erosion of U.S. military and economic dominance, many observers warn that a rapid departure from the current approach to foreign policy would be disastrous. The historian Robert Kagan cautions that "a reduction in defense spending . . . would unnerve American allies and undercut efforts to gain greater cooperation." The journalist Robert Kaplan even more apocalyptically warns that "lessening [the United States'] engagement with the world would have devastating consequences for humanity." But these defenders of the status quo confuse retrenchment with appeasement or isolationism. A prudent reduction of the United States' overseas commitments would not prevent the country from countering dangerous threats and engaging with friends and allies. Indeed, such reductions would grant the country greater strategic flexibility and free resources to promote long-term growth.

A somewhat more compelling concern raised by opponents of retrenchment is that the policy might undermine deterrence. Reducing the defense budget or repositioning forces would make the United States look weak and embolden upstarts, they argue. "The very signaling of such an aloof intention may encourage regional bullies," Kaplan worries. This anxiety is rooted in the assumption that the best barrier to adventurism by adversaries is forward defenses—the deployment of military assets in large bases near enemy borders, which serve as tripwires or, to some eyes, a Great Wall of America.

There are many problems with this position. For starters, the policies that have gotten the United States in trouble in recent years have been activist, not passive or defensive. The U.S.-led invasion of Iraq alienated important U.S. allies, such as Germany and Turkey, and increased Iran's regional power. NATO's expansion eastward has strained the alliance and intensified Russia's ambitions in Georgia and Ukraine.

More generally, U.S. forward deployments are no longer the main barrier to great-power land grabs. Taking and holding territory is more expensive than it once was, and great powers have little incentive or interest in expanding further. The United States' chief allies have developed the wherewithal to defend their territorial boundaries and

deter restive neighbors. Of course, retrenchment might tempt reckless rivals to pursue unexpected or incautious policies, as states sometimes do. Should that occur, however, U.S. superiority in conventional arms and its power-projection capabilities would assure the option of quick U.S. intervention. Outcomes of that sort would be costly, but the risks of retrenchment must be compared to the risks of the status quo. In difficult financial circumstances, the United States must prioritize. The biggest menace to a superpower is not the possibility of belated entry into a regional crisis; it is the temptation of imperial overstretch. That is exactly the trap into which opponents of the United States, such as al Qaeda, want it to fall.

A more humble foreign policy will invite neither instability nor decline.

Nor is there good evidence that reducing Washington's overseas commitments would lead friends and rivals to question its credibility. Despite some glum prophecies, the withdrawal of U.S. armed forces from western Europe after the Cold War neither doomed NATO nor discredited the United States. Similar reductions in U.S. military forces and the forces' repositioning in South Korea have improved the sometimes tense relationship between Washington and Seoul. Calls for Japan to assume a greater defense burden have likewise resulted in deeper integration of U.S. and Japanese forces. Faith in forward defenses is a holdover from the Cold War, rooted in visions of implacable adversaries and falling dominoes. It is ill suited to contemporary world politics, where balancing coalitions are notably absent and ideological disputes remarkably mild.

Others warn that the U.S. political system is too fragmented to implement a coordinated policy of retrenchment. In this view, even if the foreign policy community unanimously subscribed to this strategy, it would be unable to outmaneuver lobbying groups and bureaucracies that favor a more activist approach. Electoral pressures reward lucrative defense contracts and chest-thumping stump speeches rather than sober appraisals of declining fortunes. Whatever leaders' preferences are, bureaucratic pressures promote conservative decisions, policy inertia, and big budgets—none of which is likely to usher in an era of self-restraint.

Despite deep partisan divides, however, Republicans and Democrats have often put aside their differences when it comes to foreign policy. After World War II, the United States did not revert to the isolationism of earlier periods: both parties backed massive programs to contain the Soviet Union. During the tempestuous 1960s, a consensus emerged in favor of détente with the Soviets. The 9/11 attacks generated bipartisan support for action against al Qaeda and its allies. Then, in the wake of the global financial crisis of 2008, politicians across the spectrum recognized the need to bring the wars in Afghanistan and Iraq to an end. When faced with pressing foreign policy challenges, U.S. politicians generally transcend ideological divides and forge common policies, sometimes expanding the United States' global commitments and sometimes contracting them.

Today, electoral pressures support a more modest approach to foreign affairs. According to a 2009 study by the Pew Research Center, 70 percent of Americans would rather the United States share global leadership than go it alone. And a 2010 study by the Chicago Council on Global Affairs found that 79 percent of them thought the United States played the role of world policeman more than it should. Even on sacrosanct issues such as the defense budget, the public has demonstrated a willingness to consider reductions. In a 2010 study conducted by the Program for Public Consultation at the University of Maryland, 64 percent of respondents endorsed reductions in defense spending, supporting an average cut of $109 billion to the base-line defense budget.

Institutional barriers to reform do remain. Yet when presidents have led, the bureaucrats have largely followed. Three successive administrations, beginning with that of Ronald Reagan, were able to tame congressional opposition and push through an ambitious realignment program that ultimately resulted in the closure of 100 military bases, saving $57 billion. In its 2010 defense budget, the Obama administration succeeded in canceling plans to acquire additional F-22 Raptors despite fierce resistance by lobbyists, members of Congress, and the air force brass. The 2010 budget also included cuts to the navy's fleet of stealth destroyers and various components of the army's next generation of manned ground vehicles.

Thus, claims that retrenchment is politically impractical or improbable are unfounded. Just as a more humble foreign policy will

invite neither instability nor decline, domestic political factors will not inevitably prevent timely reform. To chart a new course, U.S. policymakers need only possess foresight and will.

## THE VIRTUES OF RESTRAINT

EVEN IF a policy of retrenchment were possible to implement, would it work? The historical record suggests it would. Since 1870, there have been 18 cases in which a great power slipped in the rankings, as measured by its GDP relative to those of other great powers. Fifteen of those declining powers implemented some form of retrenchment. Far from inviting aggression, this policy resulted in those states' being more likely to avoid militarized disputes and to recover their former rank than the three declining great powers that did not adopt retrenchment: France in the 1880s, Germany in the 1930s, and Japan in the 1990s. Those states never recovered their former positions, unlike almost half of the 15 states that did retrench, including, for example, Russia in the 1880s and the United Kingdom in the first decade of the twentieth century.

Retrenchment works in several ways. One is by shifting commitments and resources from peripheral to core interests and preserving investments in the most valuable geographic and functional areas. This can help pare back the number of potential flashpoints with emerging adversaries by decreasing the odds of accidental clashes, as well as reducing the incentives of regional powers to respond confrontationally. Whereas primacy forces a state to defend a vast and brittle perimeter, a policy of retrenchment allows it to respond to significant threats at the times and in the places of its choosing. Conflict does not become entirely elective, as threats to core interests still must be met. But for the United States, retrenchment would reduce the overall burden of defense, as well as the danger of becoming bogged down in a marginal morass.

It would also encourage U.S. allies to assume more responsibility for collective security. Such burden sharing would be more equitable for U.S. taxpayers, who today shoulder a disproportionate load in securing the world. Every year, according to Christopher Preble of the Cato Institute, they pay an average of $2,065 each in taxes to

cover the cost of national defense, compared with $1,000 for Britons, $430 for Germans, and $340 for Japanese.

Despite spending far less on defense, the United States' traditional allies have little trouble protecting their vital interests. No state credibly threatens the territorial integrity of either western European countries or Japan, and U.S. allies do not need independent power-projection capabilities to protect their homelands. NATO's intervention in Libya has been flawed in many respects, but it has demonstrated that European member states are capable of conducting complex military operations with the United States playing a secondary role. Going forward, U.S. retrenchment would compel U.S. allies to improve their existing capabilities and bear the costs of their altruistic impulses.

The United States and its allies have basically the same goals: democracy, stability, and trade. But the United States is in the awkward position of both being spread too thin around the globe and irritating many states by its presence on, or near, their soil. Delegating some of its responsibilities to allies would permit the U.S. government to focus more on critical objectives, such as ensuring a stable and prosperous economy. Regional partners, who have a greater stake in and knowledge of local challenges, can take on more responsibility. With increased input from others and a less invasive presence, retrenchment would also allow the United States to restore some luster to its leadership.

## A MORE FRUGAL FUTURE

To implement a retrenchment policy, the United States would have to take three main steps: reduce its global military footprint, change the size and composition of the U.S. military, and use the resulting "retrenchment dividend" to foster economic recovery at home.

First, the United States must reconsider its forward deployments. The top priority should be to deter aggression against its main economic partners in Europe and Asia. This task is not especially burdensome; there are few credible threats to U.S. allies in these regions, and these states need little help from the United States.

Although Russia continues to meddle in its near abroad and has employed oil and gas embargoes to coerce its immediate neighbors, western Europe's resources are more than sufficient to counter an assertive Russia. A more autonomous Europe would take some time to develop a coherent security and defense policy and would not always see events through the same lens as Washington. But reducing Europe's dependence on the United States would create a strong incentive for European states to spend more on defense, modernize their forces, and better integrate their policies and capabilities. U.S. forces in the European theater could safely be reduced by 40–50 percent without compromising European security.

Asia is also ready for a decreased U.S. military presence, and Washington should begin gradually withdrawing its troops. Although China has embarked on an ambitious policy of military modernization and engages in periodic saber rattling in the South China Sea, its ability to project power remains limited. Japan and South Korea are already shouldering greater defense burdens than they were during the Cold War. India, the Philippines, and Vietnam are eager to forge strategic partnerships with the United States. Given the shared interest in promoting regional security, these ties could be sustained through bilateral political and economic agreements, instead of the indefinite deployments and open-ended commitments of the Cold War.

In the event that China becomes domineering, U.S. allies on its borders will act as a natural early warning system and a first line of defense, as well as provide logistical hubs and financial support for any necessary U.S. responses. Yet such a state of affairs is hardly inevitable.

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For now, there are many less expensive alternatives that can strengthen the current line of defense, such as technology transfers, arms sales, and diplomatic mediation. Defending the territorial integrity of Japan and South Korea and preventing Chinese or North Korean adventurism demands rapid-response forces with strong reserves, not the 30,000 soldiers currently stationed in each country. Phasing out 20 percent of those forces while repositioning others to Guam or Hawaii would achieve the same results more efficiently.

Reducing these overseas commitments would produce significant savings. A bipartisan task force report published in 2010 by the Project on Defense Alternatives estimated that the demobilization of 50,000 active-duty soldiers in Europe and Asia alone could save as much as $12 billion a year. Shrinking the U.S. footprint would also generate indirect savings in the form of decreased personnel, maintenance, and equipment costs.

Retrenchment would also require the United States to minimize its presence in South Asia and the Middle East. The United States has an interest in ensuring the flow of cheap oil, yet armed interventions and forward deployments are hardly the best ways to achieve that goal. These actions have radicalized local populations, provided attractive targets for terrorists, destabilized oil markets, and inflamed the suspicions of regional rivals such as Iran. Similarly, the United States has a strong incentive to deny terrorist groups safe havens in ungoverned spaces. It is unclear, however, whether large troop deployments are the most cost-effective way to do so. The U.S.-led NATO mission in Afghanistan has established temporary pockets of stability, but it has enjoyed little success in promoting good governance, stamping out corruption, or eradicating the most dangerous militant networks. Nor have boots on the ground improved relations with or politics in Pakistan.

A "retrenchment dividend" should be spent on reinvigorating the U.S. economy.

More broadly, the Pentagon should devote fewer resources to maintaining and developing its capabilities for engaging in peripheral conflicts, such as the war in Afghanistan. Nation building and counter-insurgency operations have a place in U.S. defense planning, but not

a large one. The wars in Afghanistan and Iraq have raised the profile of counterinsurgency doctrine and brought prominence to its advocates and practitioners, such as David Petraeus, the retired general who is now director of the CIA. This is an understandable development, considering that the defense establishment was previously unprepared to wage a counterinsurgency war. But such conflicts require enormous commitments of blood and treasure over many years, rarely result in decisive victory, and seldom bring tangible rewards. A retrenching United States would sidestep such high-risk, low-return endeavors, especially when counterterrorism and domestic law enforcement and security measures have proved to be effective alternatives. Although they cannot solve every problem, relatively small forces that do not require massive bases can nevertheless carry out significant strikes—as evidenced by the operation that killed Osama bin Laden.

Curbing the United States' commitments would reduce risks, but it cannot eliminate them. Adversaries may fill regional power vacuums, and allies will never behave exactly as Washington would prefer. Yet those costs would be outweighed by the concrete benefits of pulling back. A focus on the United States' core interests in western Europe would limit the risk of catastrophic clashes with Russia over ethnic enclaves in Georgia or Moldova by allowing the United States to avoid commitments it would be unwise to honor. By narrowing its commitments in Asia, the United States could lessen the likelihood of conflict over issues such as the status of Taiwan or competing maritime claims in the South China Sea. Just as the United Kingdom tempered its commitments and accommodated U.S. interests in the Western Hemisphere at the turn of the last century, the United States should now temper its commitments and cultivate a lasting compromise with China over Taiwan.

Disassociating itself from unsavory regimes in the Middle East would insulate the United States from the charges of hypocrisy that undermine public support for its foreign policy throughout the region. And an accelerated drawdown of the wars in Afghanistan and Iraq would save a considerable amount of money. The current request for $118 billion to support these operations represents a savings of $42 billion compared with last year. Moving even faster to end those conflicts would result in even larger savings. At a time when the U.S.

government is under incredible pressure to justify big-ticket spending, what little return on investment these wars promise does not warrant any more patience—or sacrifice.

## FROM PROFLIGACY TO PRUDENCE

THE SECOND necessary step for retrenchment would be to change the size and composition of U.S. military forces. Despite Gates' best efforts, the 2012 defense budget remains stuffed with allocations for weapons systems of debatable strategic value. For instance, despite delays, cost overruns, failed or deferred tests, and opposition from U.S. allies, the Obama administration has pledged more than $10 billion for various ballistic missile defense systems and close to another $10 billion to fund the F-35 Joint Strike Fighter. And such programs are merely the low-hanging fruit. A nonpartisan task force of leading experts convened by the Institute for Policy Studies recently concluded that the U.S. government could slash more than $77 billion from the 2012 defense budget across eight different programs. New submarines and preliminary payments on what would be the 11th U.S. aircraft carrier—no other country has more than one—cannot be the best way to spend $5 billion. Likewise, spending $100 billion over the next ten years to upgrade U.S. nuclear weapons will not alter any adversary's calculations in a positive way.

Deeper defense cuts would force the Pentagon to do what the rest of the United States is already doing: rethink the country's role in a changing world. One problem with present procurement

plans is that the strategic rationale underlying certain goals—a 320-ship fleet for the navy, 2,200 fighter aircraft for the air force—remains murky. Protecting international trade routes against Chinese aggression is often cited as the justification for such military programs. But precisely how the United States is going to protect its economy by clashing with its third-largest trading partner is rarely explained.

The lack of a clear assessment of the costs and benefits of new weapons systems may also lead to expensive errors. The United States already has an immense lead in aircraft carriers, fourth-generation jet fighters, and mechanized land forces. There are few reasons to squander resources replacing weapons systems that already surpass those of every single rival. Moreover, the fast pace of technological change, in particular when it comes to advanced antiship and air defense capabilities, casts doubt on the wisdom of pouring money into systems that might be obsolete the moment they roll off assembly lines.

In contrast, a modest investment in proven capabilities would bolster U.S. defenses in core regions and give the United States maximum flexibility to respond to future threats. To this end, investments should continue in theater- and naval-based ballistic missile defense systems, which remain the best ways to protect U.S. allies against missile threats. The Pentagon should acquire cheap alternatives to existing systems, such as unmanned aerial vehicles, in large numbers. Congress should continue to fund research and development, but only enough to ensure that new technologies could be produced promptly when clear and present needs arise. These changes in procurement, combined with a slightly swifter drawdown in Afghanistan and Iraq and a somewhat smaller U.S. Army and Marine Corps, would save the United States a minimum of $90 billion annually.

Savings of that kind would be part of a retrenchment dividend that could be spent on reinvigorating the U.S. economy. Retrenchment begins with the curtailing of foreign policy resources, but it ends only when the resources saved are spent domestically. Although military expenditures are a productive investment, they are not infinitely or incomparably so. And the United States is already past the point of diminishing returns when it comes to defense spending. Washington should prioritize measures to more directly stimulate the U.S. economy

and make it more competitive. How exactly to achieve that outcome will surely continue to be the subject of fierce debate. But that debate will be much more meaningful if it is conducted with the aim of investing a retrenchment dividend.

The modest decline of U.S. power, combined with a relatively benign international environment, has provided the United States with a unique opportunity to reduce its foreign policy commitments in a measured manner. To make a virtue of this necessity, policymakers in Washington must resist calls to tighten the United States' tenuous grasp on global affairs, ignore the stale warnings about eroded credibility, and overcome the tired protests of bloated bureaucracies. By reducing its forward deployments, sharing burdens with its allies, limiting its fights in peripheral territories, and paring back wasteful spending on unnecessary weapons, the United States can not only slow its decline but also sow the seeds of its recovery.

# Humanitarian Intervention Comes of Age

## Lessons From Somalia to Libya

*Jon Western and Joshua S. Goldstein*

No sooner had NATO launched its first air strike in Libya than the mission was thrown into controversy—and with it, the more general notion of humanitarian intervention. Days after the UN Security Council authorized international forces to protect civilians and establish a no-fly zone, NATO seemed to go beyond its mandate as several of its members explicitly demanded that Libyan leader Muammar al-Qaddafi step down. It soon became clear that the fighting would last longer than expected. Foreign policy realists and other critics likened the Libyan operation to the disastrous engagements of the early 1990s in Somalia, Rwanda, and Bosnia, arguing that humanitarian intervention is the wrong way to respond to intrastate violence and civil war, especially following the debacles in Afghanistan and Iraq.

To some extent, widespread skepticism is understandable: past failures have been more newsworthy than successes, and foreign interventions inevitably face steep challenges. Yet such skepticism is unwarranted. Despite the early setbacks in Libya, NATO's success in protecting civilians and helping rebel forces remove a corrupt leader

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there has become more the rule of humanitarian intervention than the exception. As Libya and the international community prepare for the post-Qaddafi transition, it is important to examine the big picture of humanitarian intervention—and the big picture is decidedly positive. Over the last 20 years, the international community has grown increasingly adept at using military force to stop or prevent mass atrocities.

Humanitarian intervention has also benefited from the evolution of international norms about violence, especially the emergence of "the responsibility to protect," which holds that the international community has a special set of responsibilities to protect civilians—by force, if necessary—from war crimes, crimes against humanity, ethnic cleansing, and genocide when national governments fail to do so. The doctrine has become integrated into a growing tool kit of conflict management strategies that includes today's more robust peacekeeping operations and increasingly effective international criminal justice mechanisms. Collectively, these strategies have helped foster an era of declining armed conflict, with wars occurring less frequently and producing far fewer civilian casualties than in previous periods.

## A TURBULENT DECADE

Modern humanitarian intervention was first conceived in the years following the end of the Cold War. The triumph of liberal democracy over communism made Western leaders optimistic that they could solve the world's problems as never before. Military force that had long been held in check by superpower rivalry could now be unleashed to protect poor countries from aggression, repression, and hunger. At the same time, the shifting global landscape created new problems that cried out for action. Nationalist and ethnic conflicts in former communist countries surged, and recurrent famines and instability hit much of Africa. A new and unsettled world order took shape, one seemingly distinguished by the frequency and brutality of wars and the deliberate targeting of civilians. The emotional impact of these crises was heightened by new communications technologies that transmitted graphic images of human suffering across the world.

For the first time in decades, terms such as "genocide" and "ethnic cleansing" appeared regularly in public discussions.

Western political elites struggled to respond to these new realities. When U.S. marines arrived in Somalia in December 1992 to secure famine assistance that had been jeopardized by civil war, there were few norms or rules of engagement to govern such an intervention and no serious plans for the kinds of forces and tactics that would be needed to establish long-term stability. Indeed, the marines' very arrival highlighted the gap between military theory and practice: the heavily armed troops stormed ashore on a beach occupied by only dozens of camera-wielding journalists.

Although the Somalia mission did succeed in saving civilians, the intervention was less successful in coping with the political and strategic realities of Somali society and addressing the underlying sources of conflict. U.S. forces were drawn into a shooting war with one militia group, and in the October 1993 "Black Hawk down" incident, 18 U.S. soldiers were killed, and one of their bodies was dragged through the streets of Mogadishu while television cameras rolled. Facing domestic pressures and lacking a strategic objective, President Bill Clinton quickly withdrew U.S. troops. The UN soon followed, and Somalia was left to suffer in a civil war that continues to this day.

Meanwhile, two days after the "Black Hawk down" fiasco, the UN Security Council authorized a peacekeeping mission for Rwanda, where a peace agreement held the promise of ending a civil war. The international force was notable for its small size and paltry resources. Hutu extremists there drew lessons from the faint-hearted international response in Somalia, and when the conflict reignited in April 1994, they killed ten Belgian peacekeepers to induce the Belgian-led UN force to pull out. Sure enough, most of the peacekeepers withdrew, and as more than half a million civilians were killed in a matter of months, the international community failed to act.

Around the same time, a vicious war erupted throughout the former Yugoslavia, drawing a confused and ineffective response from the West. At first, in 1992, U.S. Secretary of State James Baker declared that the United States did not "have a dog in that fight." Even after the world learned of tens of thousands of civilian deaths, in May 1993, Clinton's secretary of state, Warren Christopher, described the so-called

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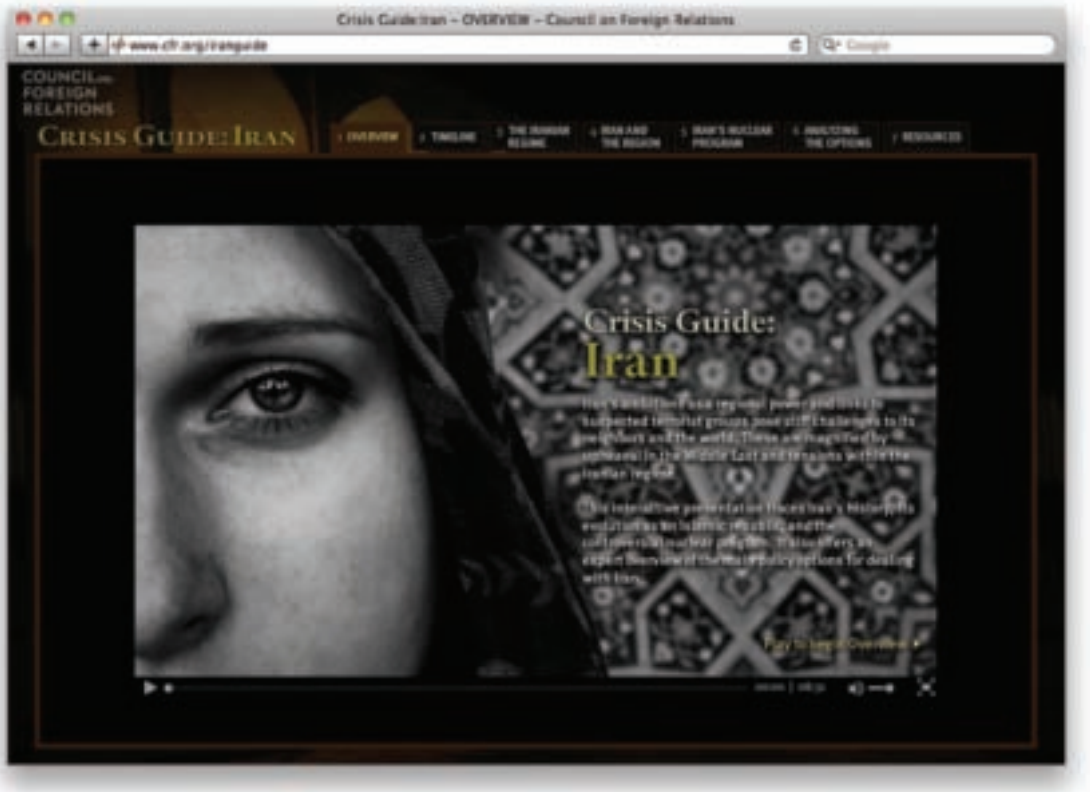


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ancient hatreds of ethnic groups there as a presumably unsolvable "problem from hell." Unwilling to risk their soldiers' lives or to use the word "genocide," with all of its political, legal, and moral ramifications, the United States and European powers opted against a full-scale intervention and instead supported a UN peacekeeping force that found little peace to keep. At times, the UN force actually made things worse, promising protection that it could not provide or giving fuel and money to aggressors in exchange for the right to send humanitarian supplies to besieged victims.

The UN and Western powers were humiliated in Somalia, Rwanda, and the former Yugoslavia. War criminals elsewhere appeared to conclude that the international community could be intimidated by a few casualties. And in the United States, a number of prominent critics came to feel that humanitarian intervention was an ill-conceived enterprise.

The political scientist Samuel Huntington claimed that it was "morally unjustifiable and politically indefensible" to put U.S. soldiers at risk in intrastate conflicts, and he argued at another point that it was "human to hate." Henry Kissinger saw danger in the United States becoming bogged down in what he later called "the bottomless pit of Balkan passions," and he warned against intervening when there were not vital strategic interests at stake. Other critics concluded that applying military force to protect people often prolonged civil wars and intensified the violence, killing more civilians than otherwise might have been the case. And still others argued that intervention fundamentally altered intrastate political contests, creating long-term instability or protracted dependence on the international community.

Two decades of media exposure to genocide have altered global attitudes about intervention.

Nonetheless, international actors did not abandon intervention or their efforts to protect civilians. Rather, amid the violence, major intervening powers and the UN undertook systematic reviews of their earlier failures, updated their intervention strategies, and helped foster a new set of norms for civilian protection.

A key turning point came in 1995, when Bosnian Serb forces executed more than 7,000 prisoners in the UN-designated safe area of Srebrenica.


REUTERS

*UN peacekeepers in Potocari, Bosnia, July 1995*

The Clinton administration quickly abandoned its hesitancy and led a forceful diplomatic and military effort to end the war. The persistent diplomacy of Anthony Lake, the U.S. national security adviser, persuaded the reluctant Europeans and UN peacekeeping commanders to support Operation Deliberate Force, NATO's aggressive air campaign targeting the Bosnian Serb army. That effort brought Serbia to the negotiating table, where U.S. Assistant Secretary of State Richard Holbrooke crafted the Dayton agreement, which ended the war. In place of the hapless UN force, NATO sent 60,000 heavily armed troops into the "zone of separation" between the warring parties, staving off renewed fighting.

The "problem from hell" stopped immediately, and the ensuing decade of U.S.-led peacekeeping saw not a single U.S. combat-related casualty in Bosnia. Unlike previous interventions, the post-Dayton international peacekeeping presence was unified, vigorous, and sustained, and it has kept a lid on ethnic violence for more than 15 years. A related innovation was the International Criminal Tribunal for the Former Yugoslavia (ICTY), a court that has indicted 161 war criminals, including all the principal Serbian wartime leaders. Despite extensive

criticism for ostensibly putting justice ahead of peace, the tribunal has produced dramatic results. Every suspected war criminal, once indicted, quickly lost political influence in postwar Bosnia, and not one of the 161 indictees remains at large today.

Buoyed by these successes, NATO responded to an imminent Serbian attack on Kosovo in 1999 by launching a major air war. Despite initial setbacks (the operation failed to stop a Serbian ground attack that created more than a million Kosovar Albanian refugees), the international community signaled that it would not back down. Under U.S. leadership, NATO escalated the air campaign, and the ICTY indicted Serbian President Slobodan Milosevic for crimes against humanity. Within three months, the combined military and diplomatic pressure compelled Serbia to withdraw its forces from Kosovo. And even though many observers, including several senior Clinton administration officials, feared that the ICTY's indictment of Milosevic in the middle of the military campaign would make it even less likely that he would capitulate in Kosovo or ever relinquish power, he was removed from office 18 months later by nonviolent civil protest and turned over to The Hague.

Outside the Balkans, the international community continued to adapt its approach to conflicts with similar success. In 1999, after a referendum on East Timor's secession from Indonesia led to Indonesian atrocities against Timorese civilians, the UN quickly authorized an 11,000-strong Australian-led military force to end the violence. The intervention eventually produced an independent East Timor at peace with Indonesia. Later missions in Sierra Leone, Liberia, and Côte d'Ivoire used a similar model of deploying a regional military force in coordination with the UN and, on occasion, European powers.

## CORRECTING THE RECORD

DESPITE THE international community's impressive record of recent humanitarian missions, many of the criticisms formulated in response to the botched campaigns of 1992–95 still guide the conversation about intervention today. The charges are outdated. Contrary to the claims that interventions prolong civil wars and lead to greater humanitarian suffering and civilian casualties, the most violent and protracted cases

in recent history—Somalia, Rwanda, the Democratic Republic of the Congo, Bosnia before Srebrenica, and Darfur—have been cases in which the international community was unwilling either to intervene or to sustain a commitment with credible force. Conversely, a comprehensive study conducted by the political scientist Taylor Seybolt has found that aggressive operations legitimized by firm UN Security Council resolutions, as in Bosnia in 1995 and East Timor in 1999, were the most successful at ending conflicts.

Even when civil wars do not stop right away, external interventions often mitigate violence against civilians. This is because, as the political scientist Matthew Krain and others have found, interventions aimed at preventing mass atrocities often force would-be killers to divert resources away from slaughtering civilians and toward defending themselves. This phenomenon, witnessed in the recent Libya campaign, means that even when interventions fail to end civil wars or resolve factional differences immediately, they can still protect civilians.

Another critique of humanitarian interventions is that they create perverse incentives for rebel groups to deliberately provoke states to commit violence against civilians in order to generate an international response. By this logic, the prospect of military intervention would generate more rebel provocations and thus more mass atrocities. Yet the statistical record shows exactly the opposite. Since the modern era of humanitarian intervention began, both the frequency and the intensity of attacks on civilians have declined. During the Arab Spring protests this year, there was no evidence that opposition figures in Tunisia, Egypt, Syria, or Yemen sought to trigger outside intervention. In fact, the protesters clearly stated that they would oppose such action. Even the Libyan rebels, who faced long odds against Qaddafi's forces, refused what would have been the most effective outside help: foreign boots on the ground.

Recent efforts to perfect humanitarian intervention have been fueled by deep changes in public norms about violence against civilians and advances in conflict management. Two decades of media exposure to mass atrocities, ethnic cleansing, and genocide have altered global—not simply Western—attitudes about intervention. The previously sacrosanct concept of state sovereignty has been made conditional on a state's responsible behavior, and in 2005, the UN General Assembly

unanimously endorsed the doctrine of the responsibility to protect at the UN's World Summit. NATO's intervention in Libya reflects how the world has become more committed to the protection of civilians. Both UN Security Council resolutions on Libya this year passed with unprecedented speed and without a single dissenting vote.

In the wake of conflicts as well, the international community has shown that it can and will play a role in maintaining order and restoring justice. Peacekeeping missions now enjoy widespread legitimacy and have been remarkably successful in preventing the recurrence of violence once deployed. And because of successful postconflict tribunals and the International Criminal Court, individuals, including national leaders, can now be held liable for egregious crimes against civilians.

Collectively, these new conflict management and civilian protection tools have contributed to a marked decline in violence resulting from civil war. According to the most recent *Human Security Report*, between 1992 and 2003 the number of conflicts worldwide declined by more than 40 percent, and between 1988 and 2008 the number of conflicts that produced 1,000 or more battle deaths per year fell by 78 percent. Most notably, the incidence of lethal attacks against civilians was found to be lower in 2008 than at any point since the collection of such data began in 1989.

Still, although international norms now enshrine civilian protection and levels of violence are down, humanitarian interventions remain constrained by political and military realities. The international community's inaction in the face of attacks on Syrian protesters, as of this writing, demonstrates that neither the UN nor any major power is willing or prepared to intervene when abusive leaders firmly control the state's territory and the state's security forces and are backed by influential allies. Furthermore, the concept of civilian protection still competes with deeply held norms of sovereignty, especially in former colonies. Although humanitarian intervention can succeed in many cases, given these constraints, it is not always feasible.

## GETTING BETTER ALL THE TIME

IT IS against this backdrop that the international community should evaluate the two most recent interventions, in Côte d'Ivoire and Libya.

In Côte d'Ivoire, a civil war that began in 2002 led to the partition of the country, with a large UN force interposed between the two sides. After years of peacekeeping, the UN oversaw long-delayed elections in 2010 and declared the opposition leader victorious. The incumbent, President Laurent Gbagbo, refused to leave, causing a months-long standoff during which Gbagbo's forces killed nearly 3,000 people. As another civil war loomed, France sent in a powerful military force that, in tandem with the UN peacekeepers, deposed Gbagbo and put the legitimate winner in the presidential palace.

Two decades ago, a similar situation in Angola led to disaster. After the UN sent a mere 500 military observers to monitor elections in 1992, the losing candidate resorted to war and the international community walked away. The crisis in Côte d'Ivoire ended much differently, partly because the mission was broadly seen as legitimate. Supporters of the action included not just the UN Security Council and Western governments but also the African Union, neighboring West African countries, and leading human rights groups. Moreover, the intervention in Côte d'Ivoire applied escalating military force over the course of several months that culminated in overwhelming firepower. The operation's planners allowed for, but did not count on, diplomacy and negotiation to dislodge Gbagbo. When those paths proved fruitless, the international community hardened its resolve.

More important than an exit strategy is a comprehensive transition strategy.

Although the final chapter of the Libya mission has yet to be written and serious challenges remain, it has enjoyed several of the same advantages. The international response began in February when, as Qaddafi's security forces intensified their efforts to crush the protests, the UN Security Council unanimously passed Resolution 1970, which condemned the violence, imposed sanctions on the regime, and referred the case to the International Criminal Court. Three weeks later, Qaddafi's forces moved toward the rebel capital of Benghazi, a city of more than 700,000, and all signs pointed to an imminent slaughter. The Arab League demanded quick UN action to halt the impending bloodshed, as did major human rights organizations, such as the International Crisis Group and Human Rights Watch. In response,

the Security Council passed Resolution 1973, which demanded a suspension of hostilities and authorized NATO to enforce a no-fly zone to protect civilians. Although five members of the Security Council—Brazil, China, Germany, India, and Russia—expressed reservations, none of them ultimately opposed the resolution. The subsequent intervention has been a genuinely multinational operation in which the United States at first played a central combat role and then stepped back, providing mostly support and logistics.

The intervention has accomplished the primary objective of Resolution 1973. It saved civilian lives by halting an imminent slaughter in Benghazi, breaking the siege of Misratah, and forcing Qaddafi's tank and artillery units to take cover rather than commit atrocities. And despite the initial military setbacks and some frustration over the length and cost of the operation, the intervention contributed to the end of the civil war between Qaddafi and the rebels, which otherwise might have been much longer and more violent.

## LESSONS LEARNED

EVER SINCE U.S. marines stormed the Somali coast in 1992, the international community has grappled with the recurring challenges of modern humanitarian intervention: establishing legitimacy, sharing burdens across nations, acting with proportionality and discrimination, avoiding "mission creep," and developing exit strategies. These challenges have not changed, but the ways the international community responds to them have. Today's successful interventions share a number of elements absent in earlier, failed missions.

First, the interventions that respond the most quickly to unfolding events protect the most lives. Ethnic cleansing and mass atrocities often occur in the early phases of conflicts, as in Rwanda and Bosnia. This highlights the necessity of early warning indicators and a capacity for immediate action. The UN still lacks standby capabilities to dispatch peacekeepers instantly to a conflict area, but national or multinational military forces have responded promptly under UN authority, and then after a number of months, they have handed off control to a UN peacekeeping force that may include soldiers from the original mission. This model worked in East Timor, Chad, and the Central African

Republic, and it guided the international community's response to the impending massacre in Benghazi.

Second, the international community has learned from Somalia, Rwanda, and Bosnia that it needs access to enough military power and diplomatic muscle to back up a credible commitment to protecting civilians and to prevail even if things go wrong along the way. Lighter deployments may also succeed if members of the international community have additional forces close at hand that can be accessed if needed. When UN peacekeepers ran into trouble in Sierra Leone in 2000, for example, the United Kingdom rushed in with 4,500 troops to save the government and the peacekeeping mission from collapse.

Third, intervening governments must be sensitive to inevitable opposition from domestic constituencies and must design interventions that can withstand pressure for early exits. As Libya has demonstrated, protecting civilians from intransigent regimes often requires persistent and sustained action. In all likelihood, seemingly straightforward operations will turn out to be much less so. In past, failed missions, the international community was unwilling to accept coalition casualties and responded by withdrawing. Successful interventions, by contrast, have been designed to limit the threat to the intervening forces, thus allowing them to add resources and broaden the dimensions of the military operations in the face of difficulties.

Fourth, legitimate humanitarian interventions must be supported by a broad coalition of international, regional, and local actors. Multilateral interventions convey consensus about the appropriateness of the operations, distribute costs, and establish stronger commitments for the post-intervention transitions. But multilateralism cannot come at the expense of synchronized leadership. War criminals usually look to exploit divisions between outside powers opposing them. Interventions need to avoid having multiple states and organizations dispatch their own representatives to the conflict, sending mixed signals to the target states.

Finally, perhaps the most daunting challenge of a humanitarian intervention is the exit. Because violence against civilians is often rooted in deeper crises of political order, critics note that once in, intervenors confront the dilemma of either staying indefinitely and assuming the

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burdens of governance, as in Bosnia, or withdrawing and allowing the country to fall back into chaos, as in Somalia.

Some observers, then, have demanded that any intervention be carried out with a clearly defined exit strategy. Yet more important than an exit strategy is a comprehensive transition strategy, whereby foreign combat forces can exit as peacekeepers take over, and peacekeepers can exit when local governing institutions are in place and an indigenous security force stands ready to respond quickly if violence resumes. The earliest phases of an intervention must include planning for a transition strategy with clearly delineated political and economic benchmarks, so that international and local authorities can focus on the broader, long-term challenges of reconstruction, political reconciliation, and economic development.

Successful transition strategies include several crucial elements. For starters, negotiations that end humanitarian interventions must avoid laying the groundwork for protracted international presences. The Dayton peace accords, for example, created a duel-entity structure in Bosnia that has privileged nationalist and ethnic voices, and Kosovo's final status was left unresolved. Both of these outcomes unwittingly created long-term international commitments.

Intervening powers must also proceed with the understanding that they cannot bring about liberal democratic states overnight. Objectives need to be tempered to match both local and international political constraints. Recent scholarship on postconflict state building suggests that the best approach may be a hybrid one in which outsiders and domestic leaders rely on local customs, politics, and practices to establish new institutions that can move over time toward international norms of accountable, legitimate, and democratic governance.

Humanitarian interventions involve an inherent contradiction: they use violence in order to control violence. Setbacks are almost inevitable, and so it is no surprise that the operations often attract criticism. Yet when carried out thoughtfully, legitimately, and as part of a broader set of mechanisms designed to protect civilians, the use of military force for humanitarian purposes saves lives. Mass atrocities, ethnic cleansing, and genocide are truly problems from hell, but their solutions—honed over the course of two decades of experience from Mogadishu to Tripoli—are very much of this world.

# The True Costs of Humanitarian Intervention

## The Hard Truth About a Noble Notion

*Benjamin A. Valentino*

As forces fighting Libyan leader Muammar al-Qaddafi consolidated control of Tripoli in the last days of August 2011, many pundits began speaking of a victory not just for the rebels but also for the idea of humanitarian intervention. In Libya, advocates of intervention argued, U.S. President Barack Obama had found the formula for success: broad regional and international support, genuine burden sharing with allies, and a capable local fighting force to wage the war on the ground. Some even heralded the intervention as a sign of an emerging Obama doctrine.

It is clearly too soon for this kind of triumphalism, since the final balance of the Libyan intervention has yet to be tallied. The country could still fall into civil war, and the new Libyan government could turn out to be little better than the last. As of this writing, troubling signs of infighting among the rebel ranks had begun to emerge, along with credible reports of serious human rights abuses by rebel forces.

Yet even if the intervention does ultimately give birth to a stable and prosperous democracy, this outcome will not prove that intervention was the right choice in Libya or that similar interventions should be attempted elsewhere. To establish that requires comparing the full costs of intervention with its benefits and asking whether those benefits

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could be achieved at a lower cost. The evidence from the last two decades is not promising on this score. Although humanitarian intervention has undoubtedly saved lives, Americans have seriously underappreciated the moral, political, and economic price involved.

This does not mean that the United States should stop trying to promote its values abroad, even when its national security is not at risk. It just needs a different strategy. Washington should replace its focus on military intervention with a humanitarian foreign policy centered on saving lives by funding public health programs in the developing world, aiding victims of natural disasters, and assisting refugees fleeing violent conflict. Abandoning humanitarian intervention in most cases would not mean leaving victims of genocide and repression to their fate. Indeed, such a strategy could actually save far more people, at a far lower price.

## THE INTERVENTION CONSENSUS

As the Cold War ended, many foreign policy analysts predicted that the United States would return to isolationism. Without the need to counter the Soviet Union, it was argued, Americans would naturally turn inward. It hardly needs saying that these predictions have not been borne out. Throughout the 1990s, the United States continued to play the leading role in global affairs, maintaining military bases around the world and regularly intervening with military force. The 9/11 attacks only reinforced this pattern. Politicians from both parties today regard the deployment of military forces as a routine part of international relations.

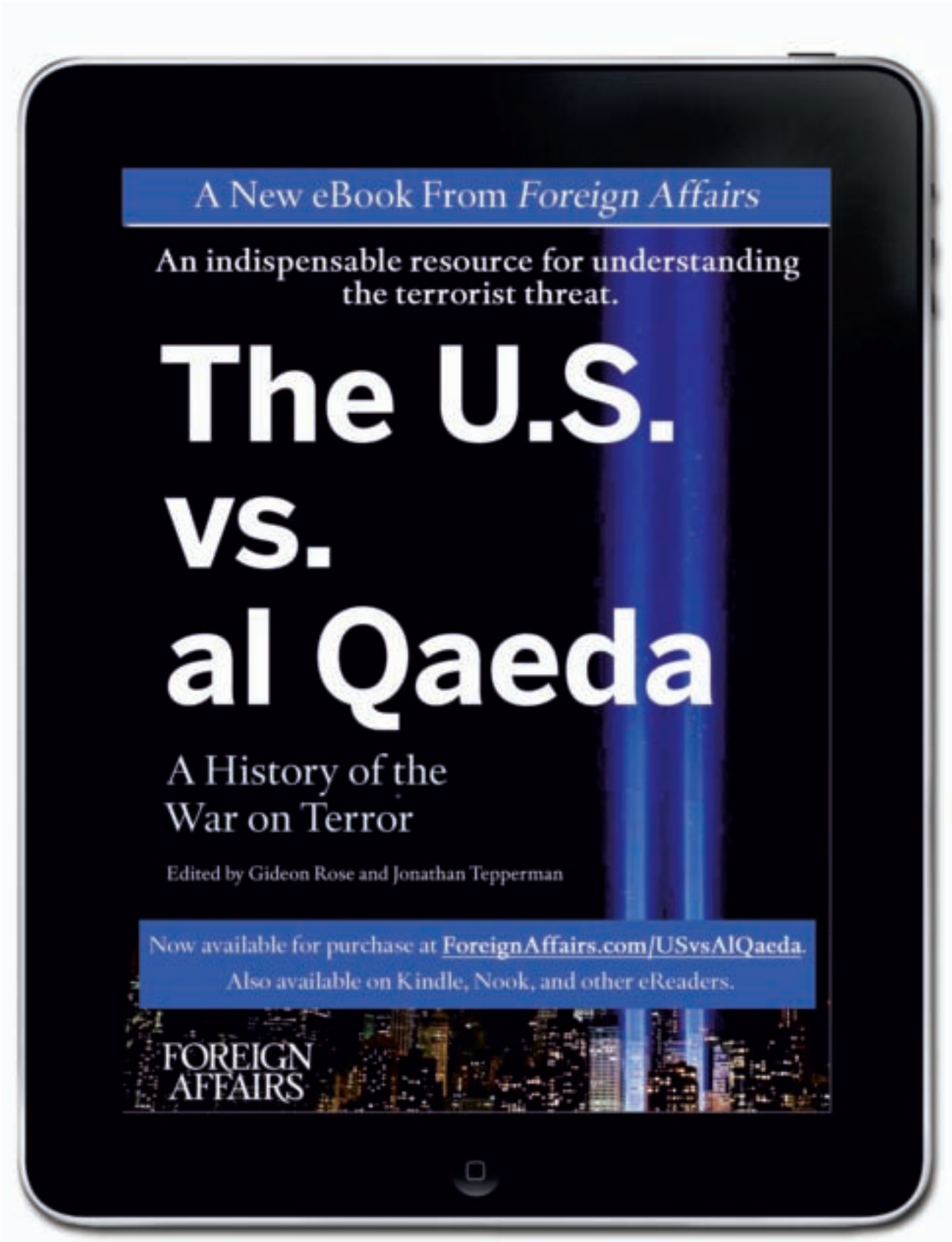
It was not always this way. Although isolationism among conservatives went virtually extinct in the 1950s, during the Cold War, and especially after Vietnam, liberals almost always opposed the use of military force, even for humanitarian purposes. But after the Soviet Union collapsed, many on the left began to embrace the idea that the vast military capabilities assembled to check its influence could now be used to save lives rather than destroy them. The evaporation of Soviet power also made it easier to use those forces, lifting one of the most important constraints on the deployment of U.S. troops abroad. The astonishing success of the U.S. military in the Persian Gulf War

of 1990–91, meanwhile, convinced many people that Americans had finally lost their aversion to intervention abroad, kicking the "Vietnam syndrome" once and for all. The costs of using force appeared to have fallen dramatically.

The end of the Cold War also touched off a bloody civil war in Yugoslavia, the first major conflict in Europe in almost 50 years. Although the United States had few national security interests at stake there, the brutal nature of the fighting prompted many calls for intervention, mostly from the left. These calls did not move President George H. W. Bush to intervene in the Balkans, but his decision to send forces to Somalia in 1992 was partially an effort to demonstrate that he was willing to use the military for humanitarian missions if the conditions were favorable. Under President Bill Clinton, the United States went further, undertaking major humanitarian interventions in Bosnia, Haiti, and Kosovo. A surprising number of opinion-makers on the left, including Peter Beinart, Thomas Friedman, Christopher Hitchens, Michael Ignatieff, and Anne-Marie Slaughter, later lent their support to the 2003 invasion of Iraq out of the conviction that it would end decades of human rights abuses by Saddam Hussein.

Aiding defenseless civilians has usually meant empowering armed factions claiming to represent them.

Prominent Democrats also called on the United States to use military force to end the mass killings in Darfur, Sudan. In 2007, then Senator Joe Biden told the Senate Foreign Relations Committee, "I would use American force now. . . . I think it's not only time not to take force off the table. I think it's time to put force on the table and use it." During the 2008 Democratic presidential primary race, Hillary Clinton repeatedly called for the imposition of a no-fly zone in Sudan. Most recently, in March, Obama defended the intervention in Libya, saying, "There will be times . . . when our safety is not directly threatened, but our interests and values are. . . . In such cases, we should not be afraid to act." The public agreed: a poll conducted days after NATO began air strikes against Libya found that, even with two other ongoing wars, majorities of both Democrats and Republicans supported the military action. Only self-described independents were more likely to disapprove than approve.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## TALLYING THE COSTS

PROPONENTS OF such interventions usually make their case in terms of the United States' moral responsibilities. Yet perhaps the most important costs incurred by military interventions have been moral ones. On the ground, the ethical clarity that advocates of human rights have associated with such actions—saving innocent lives—has almost always been blurred by a much more complicated reality.

To begin with, aiding defenseless civilians has usually meant empowering armed factions claiming to represent these victims, groups that are frequently responsible for major human rights abuses of their own. Although advocates of humanitarian intervention in the 1990s frequently compared the atrocities of that period to the Holocaust, the moral calculus of intervening in these conflicts was inevitably more problematic. The Tutsi victims of Hutu *génocidaires* in Rwanda and the Bosnian Muslim and Kosovar Albanian victims of Serbian paramilitaries in the former Yugoslavia were just as innocent as the Jewish victims of the Nazis during World War II. But the choice to aid these groups also entailed supporting the less than upstanding armed factions on their side.

In Bosnia, for example, the United States eventually backed Croatian and Bosnian Muslim forces in an effort to block further aggression by Serbian President Slobodan Milosevic. These forces were far less brutal than the Serbian forces, but they were nevertheless implicated in a number of large-scale atrocities. In August 1995, for example, Croatian forces drove more than 100,000 Serbs in the Krajina region of Croatia from their homes, killing hundreds of civilians in what *The New York Times* described as "the largest single 'ethnic cleansing' of the war." It was later revealed that the U.S. State Department had allowed private U.S. military consultants to train the Croatian army in preparation for the offensive. In April of this year, two Croatian military leaders in charge of the campaign were convicted of crimes against humanity at The Hague.

Similarly, after the NATO bombing campaign in 1999 helped evict Serbian forces from Kosovo, the Kosovo Liberation Army turned on the Serbian civilians remaining in the province and in neighboring Macedonia, killing hundreds and forcing thousands to flee. Since the

end of the war, human rights groups and the Council of Europe have repeatedly called for investigations of high-ranking KLA officials suspected of engaging in executions, abductions, beatings, and even human organ trafficking.

Another set of moral costs stems not from the unsavory behavior of the groups being protected but from the unavoidable consequences of military intervention. Even if the ends of such actions could be unambiguously humanitarian, the means never are. Using force to save lives usually involves taking lives, including innocent ones. The most advanced precision-guided weapons still have not eliminated collateral damage altogether. Many Americans remember the 18 U.S. soldiers who died in Somalia in 1993 in the "Black Hawk down" incident. Far fewer know that U.S. and UN troops killed at least 500 Somalis on that day and as many as 1,500 during the rest of the mission—more than half of them women and children.

In Kosovo, in addition to between 700 and several thousand Serbian military deaths, Human Rights Watch estimates that NATO air strikes killed more than 500 civilians. NATO pilots, ordered to fly above 10,000 feet to limit their own losses, found it difficult to distinguish between friend and foe on the ground. Sixteen civilians were also killed when NATO bombed a Serbian television station that it accused of spreading pro-government propaganda. These and other incidents led Human Rights Watch to conclude that NATO had violated international humanitarian law in its conduct of the war. Amnesty International accused NATO of war crimes.

Although military interventions are calculated to increase the costs of human rights abuses for those who commit them, perhaps interventions' most perverse consequence has been the way they have sometimes actually done the opposite. If perpetrators simply blame the victims for the setbacks and suffering inflicted by the intervention, the incentives to retaliate against victim groups, and possibly even popular support for such retaliation, may rise. Foreign military interventions can change victims from being viewed as a nuisance into being seen as powerful and traitorous enemies, potentially capable of exacting revenge, seizing power, or breaking away from the state. Under these conditions, even moderates are more likely to support harsh measures to meet such threats. And with most humanitarian

missions relying on airpower to avoid casualties, potential victims have little protection from retaliation.

In Kosovo, for example, the NATO bombing campaign hardened Serbian opinion against the Kosovar Albanians and rallied public support behind Milosevic, at least initially. Many Serbs donned T-shirts with a bull's-eye and attended anti-NATO rock concerts to express their solidarity against the West and for Milosevic's regime. One Serb told a reporter, "When Milosevic thought he could do whatever he wanted with us, I was against him. Now I am against NATO because they are strong and we are weak." Still worse, the bombing may have actually provoked a major upsurge in the violence, or at least given Milosevic the excuse he needed to implement a long-held plan to ethnically cleanse the region. Either way, when Serbian attacks on Kosovars escalated, NATO planes were flying too high and too fast to protect civilians on the ground.

> In comparison with the other ways to save lives abroad, military intervention begins to look almost extravagant.

The prospect of foreign military intervention also may encourage victims to rise up—a perilous course of action if the intervening forces are not equipped to protect them or if the intervention arrives too late or not at all. Perhaps the most clear-cut example of this perverse dynamic occurred in the aftermath of the Persian Gulf War. During the war, Bush said the Iraqis should "take matters into their own hands and force Saddam Hussein, the dictator, to step aside." Many Iraqi Kurds and Shiites responded to this call, believing that the United States would send military forces to assist them or at least protect them from retaliation by Saddam. It was not to be. Wishing to avoid a quagmire, Bush decided to end the war just 100 hours after the ground invasion had begun. Saddam responded to the domestic uprisings with extreme brutality, killing perhaps 20,000 Kurds and 30,000–60,000 Shiites, many of them civilians.

Another set of costs associated with humanitarian interventions are political. The United States' humanitarian interventions have won the country few new friends and worsened its relations with several powerful nations. The United States' long-term security depends on good relations with China and Russia, perhaps more than any other

countries, but U.S.-sponsored interventions have led to increasing distrust between Washington and these nations. Both countries face serious secessionist threats and strongly opposed U.S. intervention in Bosnia and Kosovo out of fear of setting an unwelcome precedent. The accidental bombing of the Chinese embassy in Belgrade in 1999, which killed three Chinese citizens, resulted in major demonstrations outside the U.S. embassy in Beijing and an acute deterioration of relations between the two countries that lasted almost a year. Conflict with Russia over Kosovo continues to this day.

The political strains have not been limited to relations with potential U.S. adversaries. Brazil and India, two of the United States' most important democratic allies in the developing world, also opposed the intervention in Kosovo and have refused to recognize its independence. More recently, both countries sided with China and Russia and condemned the intervention in Libya, arguing that NATO's actions significantly exceeded what the UN Security Council had authorized.

A less tangible political cost of these interventions has been their corrosive effect on the authority of international organizations such as the UN. In regard to Kosovo, the threat that China and Russia would veto a resolution to intervene in the UN Security Council forced proponents of intervention to insist that the mission did not require UN authorization. A few years later, however, many of these one-time advocates found themselves arguing against U.S. intervention in Iraq, at least in part on the grounds that Washington had failed to obtain UN approval. Having ignored the UN when it came to Kosovo and Iraq, it will be more difficult for the United States to condemn the use of force by other states that fail to obtain UN approval.

## OPPORTUNITIES LOST

PERHAPS THE most frequently ignored costs of humanitarian interventions, however, have been what economists call opportunity costs—the forgone opportunities to which the resources for a military mission might have been put. These costs are considerable, since military intervention is a particularly expensive way to save lives.

Each of the more than 220 Tomahawk missiles fired by the U.S. military into Libya, for example, cost around $1.4 million. In Somalia,


EMIL VAS / REUTERS

*At an anti-NATO protest in Belgrade, March 28, 1999*

a country of about 8.5 million people, the final bill for the U.S. intervention totaled more than $7 billion. Scholars have estimated that the military mission there probably saved between 10,000 and 25,000 lives. To put it in the crudest possible terms, this meant that Washington spent between $280,000 and $700,000 for each Somali it spared. As for Bosnia, if one assumes that without military action a quarter of the two million Muslims living there would have been killed (a highly unrealistic figure), the intervention cost $120,000 per life saved. Judging the 2003 Iraq war—now a multitrillion-dollar adventure—primarily on humanitarian grounds, the costs would be orders of magnitude higher.

The lesson that many human rights advocates have drawn from these calculations is not that intervention is too costly but that it is no

substitute for prevention. A careful study commissioned by the Carnegie Corporation of New York, for example, concluded that early but robust efforts at conflict prevention were almost always more cost-effective than reactive interventions. If only the math were so simple: this argument seriously underestimates the full costs of preventive efforts by assuming that the international community will correctly identify catastrophes long before they occur and intervene only in those cases. In reality, predicting which hot spots will turn violent is extremely difficult. As then UN Secretary-General Boutros Boutros-Ghali told reporters in Sarajevo in 1992, although the situation there seemed dire, his job was to think about all the conflicts around the world that might benefit from intervention. "I understand your frustration," he said, "but you have a situation that is better than ten other places in the world. . . . I can give you a list." Thus, although the costs of prevention in any given conflict would surely be much lower than the costs of a purely reactive intervention, these costs must be multiplied many times over because forces would end up intervening in crises that were never going to rise to a level that would have justified military intervention.

What is more, the record of low-cost preventive missions has been at least as bad as the record of interventions reacting to atrocities. One of the most tragic aspects of the genocides in Bosnia, Rwanda, and Darfur was that international peacekeepers were present during some of the worst episodes of violence, such as the slaughter of some 8,000 Bosnian Muslims in Srebrenica in 1995, which was witnessed by 400 UN peacekeepers. The problem in these cases was not that no one was sent to prevent the violence; it was that the forces that were deployed were not given the resources or the mandates to stop the violence breaking out around them. In some cases, they could not even protect themselves. More robust preventive deployments might have been more effective, but they would not have been cheap.

## MORE FOR THE MONEY

To be sure, $120,000 or even $700,000 does not seem like an unreasonably high price to pay to save a life; developed countries routinely value the lives of their citizens much more highly. Although these costs may seem low in absolute terms, in comparison to the other

ways the United States' scarce resources might have been spent to save lives abroad, humanitarian intervention begins to look almost extravagant. Three strategies offer the prospect of helping more people with a much lower moral, political, and economic cost: investing in international public health initiatives, sending relief aid to victims of natural disasters and famines, and assisting refugees fleeing violent conflict. Millions more lives could be saved if the billions of dollars spent on humanitarian interventions were instead spent on these efforts.

International public health programs are almost certainly the most cost-effective way to save lives abroad. The World Health Organization estimates that every year at least two million people die from vaccine-preventable diseases alone (millions more die from other easily treatable infectious diseases, such as malaria or infectious diarrhea). This is an annual toll more than twice as large as the Rwandan genocide and more than 200 times the number of civilians who died in Kosovo. Measles alone killed more than 160,000 people in 2008, almost all of them children. It costs less than $1 to immunize a child against measles, and since not every unvaccinated child would have died from measles, the cost per life saved comes out to an estimated $224. Even using the exceedingly generous estimates above of the number of lives saved by military intervention, this means that on a per-life basis, measles vaccination would be 3,000 times as cost-effective as the military intervention in Somalia and more than 500 times as cost-effective as the intervention in Bosnia. The provision of antimalarial bed nets may be more efficient still—costing only between $100 and $200 per life saved. The final bill may be even lower, since preventive public health expenditures such as these often more than pay for themselves in averted medical costs and increased productivity.

The lifesaving potential of such public health programs is enormous. Indeed, because of intensive vaccination initiatives, measles deaths have dropped by almost 80 percent since 2000, probably saving well over four million lives in the last ten years. And of course, vaccinating children for measles did not require killing anyone, violating international laws, or damaging important relationships with powerful countries.

A second way that the United States can save lives without the use of force is through disaster-relief efforts. The International Red Cross estimates that more than one million people were killed between 2000

and 2009 in natural disasters such as earthquakes, floods, and hurricanes. It is difficult to estimate how many lives were saved by international relief efforts in these disasters or how many more might have been saved had even greater resources been devoted to disaster preparedness and response. Disaster-relief programs are almost certainly less economically efficient in saving lives than the most effective public health programs, but like public health efforts, they avoid many of the moral and political costs of military intervention. Few forms of intervention are more deeply appreciated by recipients. After the U.S. military sent rescue and medical teams and emergency supplies to Indonesia in the wake of the devastating 2004 tsunami, the proportion of Indonesians who held favorable views of the United States, which had plummeted following the invasion of Iraq, more than doubled—an important gain in the world's largest Muslim country.

Outside powers need to keep their borders open to victims fleeing violence.

A third set of strategies focuses on aiding potential victims of violent conflict and repression, including genocide and mass killing. Although using military forces to halt perpetrators and protect victims on the ground is usually very expensive, it is possible to assist victims of violent conflict at much lower cost by helping them escape to safer areas. Large refugee flows are rightly seen a humanitarian emergency in themselves, but refugees of violence are also survivors of violence. In practice, measures designed to help victims reach safety across international borders and to care for refugee populations once they arrive have probably saved more lives from conflict than any other form of international intervention.

History provides numerous examples that illustrate the potential of providing safe havens for refugees. Although the Nazis clamped down on emigration after World War II began, between 1933 and 1939 Germany actively encouraged it, a process that ultimately resulted in the exodus of approximately 70 percent of Germany's Jews. Had Western nations put up fewer barriers to Jewish immigration or actively sought to assist Jewish emigration, they would surely have saved many more lives. The ability of potential victims to escape likely played an even greater role in limiting the toll from repressive governments

during the Cold War. Following the communist takeover in North Korea, for example, more than one million people, around ten percent of the population living above the 38th parallel, made their way to the South between 1945 and 1947. Had they been unable to flee, many would surely have been labeled enemies of the state and executed or sent to the North Korean gulag. Similarly, roughly 3.5 million Chinese refugees, mostly supporters of Chiang Kai-shek who would have been prime targets of Mao Zedong's subsequent campaigns against political enemies, escaped to Taiwan and Hong Kong following the communist victory in the Chinese Civil War in 1949. Today, many of the 250,000 Sudanese refugees surviving in camps in eastern Chad likely would have joined the 300,000–400,000 victims of the mass killing in Darfur had they not fled the fighting.

The first order of business, then, should be for outside powers to keep their borders open to victims fleeing violence. The large numbers of refugees who managed to escape the bloodshed in North Korea, China, and Kosovo were able to do so only because they could flee across open borders into neighboring states. Many victims are not so fortunate. For example, Iraqi Kurdish refugees attempting to flee the crackdown following the Gulf War initially faced closed borders as they tried to go to Iran and Turkey. Diplomatic pressure and economic assistance from the United States and NATO, however, ultimately prompted these countries to open their borders, at least temporarily.

Even when neighboring states are willing to open their doors, perpetrators often try to block victims' escape. Such was the case in Rwanda, where Hutu *génocidaires* set up roadblocks to prevent Tutsis from crossing into Burundi, Congo, Tanzania, and Uganda. In cases like these, the use of limited military force may make sense. In Rwanda, a relatively small military intervention, perhaps with airpower alone, could have destroyed roadblocks and secured key escape routes, helping tens of thousands reach safety. By one estimate, this strategy might have saved 75,000 lives.

The international community should also ensure the survival of refugees once they reach their destinations. The conditions awaiting most refugees of mass violence seldom provide much better odds of survival than do those faced by victims who remain behind. Not only are food, water, and shelter in short supply, but refugees are also

frequently subject to violence and thievery at the hands of other refugees or local populations. Few refugees would survive for long without substantial external assistance. As a result, when the options for potential refugees are unattractive, many will prefer to stay and fight, even when their chances of success are slim. When refugees can expect more hospitable conditions across the border, however, more will choose to flee and more will survive when they arrive.

## HUMBLE HUMANITARIANISM

Proponents of humanitarian intervention may object that the calculus laid out here understates its effectiveness by neglecting the other U.S. interests that these military missions serve. Even the most ardent advocates of intervention in such places as Kosovo, Sudan, or Libya, however, usually concede that the United States' safety was never directly threatened by the crises there. At the same time, helping refugees and saving lives through public health programs and disaster relief also serve a variety of secondary U.S. interests—improving relations with other countries, promoting economic development, and increasing regional stability. A full accounting cannot neglect these benefits, either.

Some may also protest that the United States cannot give up on humanitarian intervention since it is the only country with the capability to project power around the globe. This may be true, but it would be a relevant concern only if other countries or nongovernmental organizations were already devoting sufficient resources to nonmilitary forms of humanitarian aid. The millions of easily preventable deaths that still occur every year are evidence that much more is needed. Still others may assert that the United States has a special responsibility to oppose governments that are engaged in massive human rights violations, even at much greater cost, because doing so sends a message that the world will not tolerate crimes against humanity and despotism. But that message need not be sent with bombs. A stronger message, in fact, should be sent to governments that fail to provide even inexpensive health care or essential services to save the lives of their own citizens. Finally, some will argue that the United States does not need to choose between military intervention and humanitarian aid since

it can afford both. This is correct, but given the number of people who could benefit from increased humanitarian aid, the country will have to vaccinate many more children and assist many more refugees before military intervention begins to look affordable in comparison.

The strategies suggested here are not without their own dilemmas, of course. Large refugee populations can foster instability if the refugees attempt to fight their way home or fall into conflict with local populations. And humanitarians have learned the hard way that relief aid and medical supplies can be hijacked by corrupt governments or violent rebel groups. Fortunately, these problems are less severe than the problems of military intervention, and there are ways to mitigate them, even if they cannot be eliminated altogether. The provision of humanitarian aid should be more closely monitored, the aid should be linked to other forms of aid that recipients desire, and the aid should be targeted to those countries and local groups that demonstrate that they can use it most effectively. Strategies to assist refugees must be combined with diplomatic coercion and tough economic sanctions designed to end the conflicts that forced the refugees out in the first place. With defenseless victims out of harm's way, international pressure on perpetrators would be much less likely to provoke further crackdowns.

As with most of the choices in international relations, these strategies are simply the best of a poor set of alternatives. Even so, a foreign policy based on them would not mean simply standing by in the face of atrocity and injustice. Indeed, efforts such as helping refugees could save thousands of lives even when a major military intervention is out of the question. Equally important, these strategies would do much to allow Americans to wholeheartedly embrace a less militarized foreign policy, restoring the United States' image as a force for good in the world and providing Americans with an alternative perspective on the use of force, something that has been absent from U.S. foreign policy debates. U.S. foreign policy has always sought to promote the values of its citizens, as well as protect their material and security interests abroad. The country should not abandon that noble impulse now. It simply needs a better way to act on it.

# Can Europe's Divided House Stand?

## Separating Fiscal and Monetary Union

*Hugo Dixon*

Conventional wisdom has it that the eurozone cannot have a monetary union without also having a fiscal union. Euro-enthusiasts see the single currency as the first steppingstone toward a broader economic union, which is their dream. Euroskeptics do, too, but they see that endgame as hell—and would prefer the single currency to be dismantled. The euro crisis has, for many observers, validated these notions. Both camps argue that the eurozone countries' lopsided efforts to construct a monetary union without a fiscal counterpart explain why the union has become such a mess. Many of the enthusiasts say that the way forward is for the 17 eurozone countries to issue euro bonds, which they would all guarantee (one of several variations on the fiscal-union theme). Even the German government, which is reluctant to bail out economies weaker than its own, thinks that some sort of pooling of budgets may be needed once the current debt problems have been solved.

A fiscal union would not come anytime soon, and certainly not soon enough to solve the current crisis. It would require a new treaty, and that would require unanimous approval. It is difficult to imagine how such an agreement could be reached quickly given the fierce opposition from politicians and the public in the eurozone's relatively healthy economies (led by Finland, Germany, and the Netherlands) to

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repeated bailouts of their weaker brethren (Greece, Ireland, Italy, Portugal, and Spain). Moreover, once the crisis is solved, the enthusiasm for a fiscal union may wane. Even if Germany is still prepared to pool some budgetary functions, it will insist on imposing strict discipline on what other countries can spend and borrow. The weaker countries, meanwhile, may not wish to submit to a Teutonic straitjacket once the immediate fear of going bust has passed.

But there are more than just two ways forward: fiscal union or a breakup of the euro. There is a third and preferable option: a kind of market discipline combined with tough love. Under this approach, individual states would take as much responsibility as possible for their own finances, but they would also embrace the free market more vigorously. Governments that borrowed too much money would have to be free to default. Limited bailouts for governments and banks in lesser trouble would also be required, albeit in return for economic reforms and belt-tightening. The result would be fitter economies and a Europe that has the strength to play a bigger role on the world stage.

As this article went to press, the eurozone crisis was in a particularly acute phase. Markets were in a high state of anxiety, Greece's latest rescue package was in difficulty, and much of the region was teetering on the brink of recession. Spain was in the midst of a general election campaign, and Silvio Berlusconi's government in Italy was losing authority. Nevertheless, amid the turmoil, there were signs that the eurozone might be clumsily muddling along toward something like the market-discipline-plus-tough-love option for dealing with the immediate crisis. It should also adopt it as a long-term model.

## DISUNION

IN THEORY, a common currency has many advantages for the European Union's single market, which also includes countries, such as the United Kingdom, that decided to stay out of the eurozone. When people do not have to worry about fluctuating currencies, they can more easily do business across borders, make long-term investments anywhere in the market, and build transnational enterprises. The ability to harness economies of scale and the opportunity to compete across an entire continent are worthwhile prizes.

But there is also a big disadvantage: individual countries lose the ability to tailor their monetary policies to their particular needs by setting their own interest rates. Instead, interest rates are set by the European Central Bank, which is a problem because different economies move at different speeds. For example, low rates throughout the whole eurozone in the years running up to 2007 amplified Spain's subsequent housing bubble.

Whether the benefits of having a common currency outweigh the costs depends largely on three factors: the similarity among the economies covered by the single monetary policy, their flexibility, and the existence of a large central budget that can be used to transfer money from flourishing regions to struggling ones. Economies with similar structures and cycles find it easier to live with a one-size-fits-all monetary policy. Even economies that are different can cope with a single currency so long as they are adaptable—in particular, so long as their businesses can easily hire and fire employees and people are willing to cross borders in search of work.

The eurozone does not come out well by any of these measures, especially in comparison with the United States. Europe's economies are diverse, its labor markets are hemmed in by elaborate restrictions, and it has only a small central budget with which to help troubled regions. This is why Euro-enthusiasts and Euroskeptics alike—from Jacques Delors, a former president of the European Commission and one of the principal architects of the single currency, to Boris Johnson, the mayor of London—argue that a fiscal union is needed to oil the wheels of monetary union.

## RACKING UP DEBT

But there is another way of living within the constraints of a one-size-fits-all monetary policy: strengthen Europe's weaker members, particularly by making their economies more flexible. Before the single currency was launched in 1999, governments did not have an incentive to undertake the hard reforms needed to make that happen. Whenever the likes of Greece or Italy found themselves becoming uncompetitive, their governments devalued their currencies. After the monetary union came about, the eurozone's

unfit economies found another escape route: they borrowed money. This allowed those governments to finance high expenditures without raising taxes. But as these economies became weaker, their competitiveness suffered.

Many states also accumulated mountains of debt, sowing the seeds of the current crisis. Under the Maastricht Treaty, which began the process of forming the monetary union, governments are not supposed to run up debts that equal more than 60 percent of GDP, but every major economy of the eurozone exceeded that level significantly. After the world economy slowed down early in the century, supposedly virtuous states, such as France and Germany, started flouting rules meant to limit budget deficits. There was then no chance of disciplining the others. Last year, the debt-to-GDP ratios of France and Germany exceeded 80 percent; Italy's hit 119 percent, and Greece's 143 percent.

Debt grew not only because governments were breaking the rules; it also grew because governments managed to persuade investors, in particular banks and insurance companies, to lend them money. Beginning in early 2010, investors finally stopped funding Greece; then they stopped funding Ireland and Portugal. But this bond strike took an awfully long time to emerge. The market's failure to discipline governments any sooner was largely the result of the governments themselves. They took advantage of the widespread view that European nations could not default. This was reinforced by the way that banks were (and still are) regulated. The so-called Basel rules, recommendations on banking regulations devised by central bankers of the G-20 countries and others, say that government bonds are risk-free assets and so banks do not have to hold any capital when they invest in them. Not surprisingly, banks piled in, with the consequence that sovereign debt problems infected them, too. Both before and after Lehman Brothers went bust in September 2008, moreover, central banks on both sides of the Atlantic flooded the world with cheap money, distorting money markets and making it easy for governments to rack up debt. It was deliberate rule breaking by governments and their rigging of the market in favor of government bonds, not the lack of a fiscal union, that led to the current crisis.

## EURO BONDAGE

THIS, HOWEVER, has not stopped Europe's weak economies from calling for a fiscal union. Quite the opposite: they are looking for yet another way to continue living beyond their means. George Papandreou, the Greek prime minister, and Giulio Tremonti, the Italian finance minister, want their countries to be able to issue euro bonds. One can see the appeal: euro bonds would insulate weak states from the discipline of the market by signaling to investors that Germany and other fit countries would ultimately pay the bill if Greece or Italy defaulted. But from the strong countries' perspective, allowing the issuance of euro bonds would give weak economies the license to be profligate, unless it was done in an extremely controlled manner. Moreover, the need to carry the entire eurozone's debt could ultimately break the strong countries' backs, too.

Some supposedly more palatable versions of this idea have been proposed. A paper published last year by Bruegel, a Brussels-based think tank, suggests limiting euro bonds to 60 percent of each nation's GDP. The snag is that the troubled countries already carry debt well above that level, which raises the question of how they would fund themselves. This is the reason that George Soros and other market gurus have argued for a much higher figure.

Germany, the eurozone's main paymaster, has been willing to countenance the idea of a fiscal union, but only after a long process of integration once the crisis has been resolved. It is also insisting on strong new rules limiting the amount of money that individual countries can borrow and inflicting penalties on those that break those rules. Meanwhile, Mark Rutte, the Dutch prime minister, has suggested creating the position of European Commission budget czar to police the rules. If countries continued to flout the rules, the czar would have the right to tell them how to run their economies, for example, by telling them to raise taxes. If they did not do what they were told, they would have to quit the single currency.

But all of this lies far in the future—if at all. So far, managing the current crisis has consisted of case-by-case bailouts. In return for low-interest loans from various different European war chests and the International Monetary Fund, troubled countries have had to reform

their economies and cut back on their borrowing. These bailouts do involve aid from fiscally strong countries to weaker ones, but not as much as would occur in a full fiscal union.

As market conditions have deteriorated and more countries have been sucked into the vortex of economic collapse, there have been several different versions of these bailouts. The 17 eurozone countries have found it hard to agree on what to do, leading to zigzagging policy-making, which has undermined investor confidence and created unnecessary economic hardship.

For all its warts, however, the policy has had some successes. The weaker European governments have been forced to embrace reforms that they had shirked for decades. They are liberalizing their labor markets, rooting out tax evasion, pushing up excessively low retirement ages, slashing bureaucracies, privatizing industries, and opening up cartel-like industries, such as pharmacies and taxi services. This is happening not only in Greece, Ireland, and Portugal, the three countries that have taken bailouts. Italy and Spain have also adopted their own fitness regimes, albeit falteringly. Had these states just been able to issue euro bonds, they would not have had the incentive to shape up.

## THE FREEDOM TO FAIL

STILL, THE current crisis management has been deficient in one important respect. At least by the time this article went to press, no insolvent country had been allowed to go bust. Greece's debts were spiraling out of control at the time, but the bailout plan that was devised for the country at a European summit in July encouraged banks that had lent it money to roll over their debts or extend their repayment terms. That is a long way from a proper debt restructuring, which would leave Athens with a lower level of debt, one it could realistically support.

Companies and individuals all around the world restructure their debts. Governments outside Europe default. Why should the eurozone countries be exempt from bankruptcy? Defaulting is not nice, of course. Lenders lose money; borrowers can be boycotted for years or have to pay higher interest rates. But this is how things ought to be. Like investors who make unwise loans, governments that borrow too

much should not get off scot-free. If they do not feel any pain, they will repeat the same mistakes. Indeed, the fear of being forced into bankruptcy might prevent governments from running up excess debts in the first place. The option of defaulting in a controlled manner ought to be part of the current crisis-management approach for those governments that really cannot support their debts: certainly Greece and possibly Ireland and Portugal, too.

Yet most European policymakers have so far viewed default as anathema because they have been scared of contagion. If Greece defaulted, the banks that lent it money might also go bust. The market might conclude that other weak governments will default, too, making it hard for them to raise money. Some policymakers are frightened that the mayhem unleashed would be like, or even worse than, the chaos that followed Lehman Brothers' bankruptcy. As this article went to press, there were indeed signs that the crisis was spreading to Italy: its government was finding it increasingly expensive to borrow money on the bond market.

But the lesson of Lehman's collapse is not that banks or governments should never be allowed to go bust. It is that defaults should be controlled and that those that are exposed to possible contamination should prepare for it. But the eurozone seems not to have learned this yet. Banks stuffed with government bonds have merely been nudged to shore up their balance sheets. Whereas the United States and the United Kingdom conducted rigorous stress tests on their banks in early 2009, Europe has done three fairly limp reviews in the past two years. Even the most recent one, in July, failed to model for a possible Greek default. Meanwhile, governments that are exposed to contagion have been slow to reduce their budget debts and liberalize their economies. Berlusconi, for example, has acted like a latter-day Nero, fiddling while Rome burns. Even French President Nicolas Sarkozy behaved until recently as if France lived in a charmed world where borrowing was its privilege.

But it is not too late to put the controlled-default option back on the table. Given the policy errors for which France and Germany are responsible—from flouting the original deficit rules to standing in the way of a sensible restructuring of Greece's debt—they should pay some penance. And they will, in the form of low interest rates on the

money they have already lent struggling economies and in the form of the extra capital they may need to pump into their own banks to cover the cost of their bad loans to Greece and possibly others. This will cost a lot, but less than throwing more good money after bad to avoid defaults. And it will certainly be cheaper than a full-fledged fiscal union.

## LENDERS OF LAST RESORT

PART OF the art of managing a financial crisis is distinguishing insolvent institutions from merely illiquid ones. The debts of insolvent institutions should be restructured, whereas illiquid institutions should get funding. Like a country with its own currency, the eurozone needs a lender of last resort. The key, however, will be to ensure that it does not become a lender of first resort, as that would remove the incentive for states and banks to manage their own affairs responsibly.

Having entered the 2007 credit crunch without a properly thought-out plan for how a lender of last resort would operate, the eurozone has had to make up policy on the fly. The European Central Bank has been showering banks with liquidity since the crisis hit, but this really should have been done hand in glove with integrated banking supervision across the eurozone. Instead, regulation was fragmented and, to some extent, continues to be. The European Central Bank has also helped fund troubled governments—first, Greece, Ireland, and Portugal; then, Italy and Spain—by buying their bonds. It hoped that this would push up the value of the bonds and make it easier for the governments to issue new ones. (As bonds are bought on the market, this is not quite the same as giving the governments cash.)

The European Central Bank was uncomfortable with this role, however, because it does not believe that governments should print money to reduce their deficits. So the eurozone countries decided at a summit in July that this task should be transferred to the European Financial Stability Facility (EFSF), a new slush fund set up to help manage the crisis. At the same time, they agreed to expand the size of the facility, give it the authority to provide money to cash-strapped banks, and grant it the power to provide emergency credit lines to governments that are not in full bailout programs.

But this has not ended the debate over which policy is best. Willem Buiter, Citigroup's chief economist, among others, has argued that despite its expanded 440 billion euros, the EFSF is still too small to handle full bailouts of Italy and Spain. Although this is true, a lender of last resort should not be used as a permanent prop anyway. Italy and Spain could solve their own problems if they had the political will to tighten their belts. Full bailouts will become necessary only if they shirk that responsibility.

The EFSF will be replaced in mid-2013 by a new bailout fund called the European Stability Mechanism, a permanent facility. In one important respect, the ESM will be better than the EFSF: it will be required to distinguish insolvent from illiquid governments when it makes loans. In the case of insolvent governments, the debt held by private-sector creditors will have to be restructured so as to make the governments' debts sustainable. Too bad this mechanism will not kick in for almost two more years.

## THE THIRD WAY

GIVEN THESE complexities, many Euroskeptics think it would be better to abandon the euro project altogether. But this is a bad idea. The monetary union may have developed prematurely, but nobody has come up with a way of putting the toothpaste back in the tube. If Athens ever decided to reintroduce the drachma, for example, people would promptly pull their euros out of Greek banks, causing the country's financial system to collapse even before the new currency was minted. Depositors in other weak countries would then pull their money from those countries' banks, triggering a chain of collapses and a deep depression. There is another option: market discipline plus tough love. This medicine will be difficult to swallow, but in the end, it will lead to a healthier Europe.

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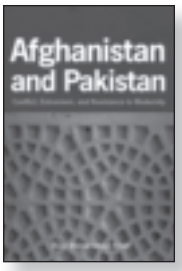


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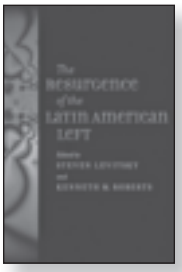


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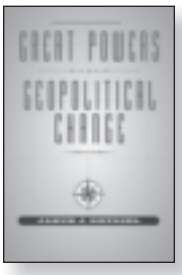


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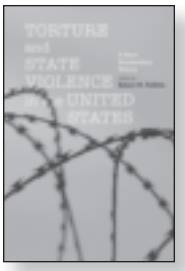


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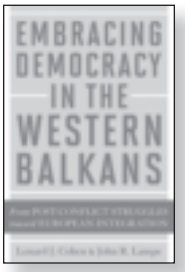


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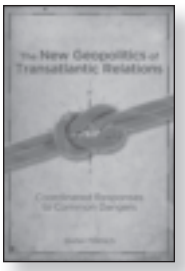


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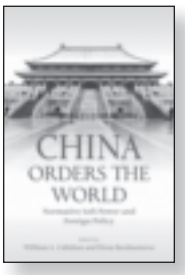


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# Why We Still Need Nuclear Power

## Making Clean Energy Safe and Affordable

*Ernest Moniz*

In the years following the major accidents at Three Mile Island in 1979 and Chernobyl in 1986, nuclear power fell out of favor, and some countries applied the brakes to their nuclear programs. In the last decade, however, it began experiencing something of a renaissance. Concerns about climate change and air pollution, as well as growing demand for electricity, led many governments to reconsider their aversion to nuclear power, which emits little carbon dioxide and had built up an impressive safety and reliability record. Some countries reversed their phaseouts of nuclear power, some extended the lifetimes of existing reactors, and many developed plans for new ones. Today, roughly 60 nuclear plants are under construction worldwide, which will add about 60,000 megawatts of generating capacity—equivalent to a sixth of the world's current nuclear power capacity.

But the movement lost momentum in March, when a 9.0-magnitude earthquake and the massive tsunami it triggered devastated Japan's Fukushima nuclear power plant. Three reactors were severely damaged, suffering at least partial fuel meltdowns and releasing radiation at

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a level only a few times less than Chernobyl. The event caused widespread public doubts about the safety of nuclear power to resurface. Germany announced an accelerated shutdown of its nuclear reactors, with broad public support, and Japan made a similar declaration, perhaps with less conviction. Their decisions were made easier thanks to the fact that electricity demand has flagged during the worldwide economic slowdown and the fact that global regulation to limit climate change seems less imminent now than it did a decade ago. In the United States, an already slow approach to new nuclear plants slowed even further in the face of an unanticipated abundance of natural gas.

It would be a mistake, however, to let Fukushima cause governments to abandon nuclear power and its benefits. Electricity generation emits more carbon dioxide in the United States than does transportation or industry, and nuclear power is the largest source of carbon-free electricity in the country. Nuclear power generation is also relatively cheap, costing less than two cents per kilowatt-hour for operations, maintenance, and fuel. Even after the Fukushima disaster, China, which accounts for about 40 percent of current nuclear power plant construction, and India, Russia, and South Korea, which together account for another 40 percent, show no signs of backing away from their pushes for nuclear power.

Nuclear power's track record of providing clean and reliable electricity compares favorably with other energy sources. Low natural gas prices, mostly the result of newly accessible shale gas, have brightened the prospects that efficient gas-burning power plants could cut emissions of carbon dioxide and other pollutants relatively quickly by displacing old, inefficient coal plants, but the historical volatility of natural gas prices has made utility companies wary of putting all their eggs in that basket. Besides, in the long run, burning natural gas would still release too much carbon dioxide. Wind and solar power are becoming increasingly widespread, but their intermittent and variable supply make them poorly suited for large-scale use in the absence of an affordable way to store electricity. Hydropower, meanwhile, has very limited prospects for expansion in the United States because of environmental concerns and the small number of potential sites.

Still, nuclear power faces a number of challenges in terms of safety, construction costs, waste management, and weapons proliferation. After Fukushima, the U.S. Nuclear Regulatory Commission, an independent federal agency that licenses nuclear reactors, reviewed the industry's regulatory requirements, operating procedures, emergency response plans, safety design requirements, and spent-fuel management. The NRC will almost certainly implement a number of the resulting recommendations, and the cost of doing business with nuclear energy in the United States will inevitably go up. Those plants that are approaching the end of their initial 40-year license period, and that lack certain modern safety features, will face additional scrutiny in having their licenses extended.

Fukushima will cause nuclear regulators everywhere to reconsider safety requirements.

At the same time, new reactors under construction in Finland and France have gone billions of dollars over budget, casting doubt on the affordability of nuclear power plants. Public concern about radioactive waste is also hindering nuclear power, and no country yet has a functioning system for disposing of it. In fact, the U.S. government is paying billions of dollars in damages to utility companies for failing to meet its obligations to remove spent fuel from reactor sites. Some observers are also concerned that the spread of civilian nuclear energy infrastructure could lead to the proliferation of nuclear weapons—a problem exemplified by Iran's uranium-enrichment program.

If the benefits of nuclear power are to be realized in the United States, each of these hurdles must be overcome. When it comes to safety, the design requirements for nuclear reactors must be reexamined in light of up-to-date analyses of plausible accidents. As for cost, the government and the private sector need to advance new designs that lower the financial risk of constructing nuclear power plants. The country must also replace its broken nuclear waste management system with a more adaptive one that safely disposes of waste and stores it for centuries. Only then can the public's trust be earned.

## SAFER AND CHEAPER

THE TSUNAMI that hit Japan in March marked the first time that an external event led to a major release of radioactivity from a nuclear power plant. The 14-meter-high wave was more than twice the height that Fukushima was designed to withstand, and it left the flooded plant cut off from external logistical support and from its power supply, which is needed to cool the reactor and pools of spent fuel. Such natural disasters, although infrequent, should have been planned for in the reactor's design: the Pacific Ring of Fire has seen a dozen earthquakes in the 8.5 to 9.5 range in the last hundred years, and Japan has the most recorded tsunamis in the world, with waves sometimes reaching 30 meters high. Just four years ago, the world's largest nuclear generating station, Kashiwazaki-Kariwa, was shut down by an earthquake that shook the plant beyond what it was designed to handle, and three of the seven reactors there remain idle today.

The Fukushima disaster will cause nuclear regulators everywhere to reconsider safety requirements—in particular, those specifying which accidents plants must be designed to withstand. In the 40 years since the first Fukushima reactor was commissioned, seismology and the science of flood hazards have made tremendous progress, drawing on advances in sensors, modeling, and other new capabilities. This new knowledge needs to be brought to bear not only when designing new power plants but also when revisiting the requirements at older plants, as was happening at Fukushima before the tsunami. Outdated safety requirements should not be kept in place. In the United States, the NRC's review led to a recommendation that nuclear power plant operators reevaluate seismic and flood hazards every ten years and alter the design of the plants and their operating procedures as appropriate. With few exceptions, the needed upgrades are likely to be modest, but such a step would help ensure that the designs of plants reflect up-to-date information.

The NRC also proposed regulations that would require nuclear power stations to have systems in place to allow them to remain safe if cut off from outside power and access for up to three days. It issued other recommendations addressing issues such as the removal of combustible gas and the monitoring of spent-fuel storage pools. These

JONATHAN ERNST/REUTERS

*The Three Mile Island nuclear power plant, Middletown, Pennsylvania*

proposals do not mean that the NRC lacks confidence in the safety of U.S. nuclear reactors; their track record of running 90 percent of the time is an indicator of good safety performance and extraordinary when compared with other methods of electricity generation. Nevertheless, the incident at Fukushima clearly calls for additional regulatory requirements, and the NRC's recommendations should be put in place as soon as is feasible.

New regulations will inevitably increase the costs of nuclear power, and nuclear power plants, with a price tag of around $6–$10 billion each, are already much more expensive to build than are plants powered by fossil fuels. Not only are their capital costs inherently high; their longer construction times mean that utility companies accumulate substantial financing charges before they can sell any electricity. In an attempt to realize economies of scale, some utilities have turned to building even larger reactors, building ones that produce as much as 1,600 megawatts, instead of the typical 1,000 megawatts. This pushes up the projects' cost and amplifies the consequences of mistakes during construction.

All this can make nuclear power plants seem like risky investments, which in turn raises investors' demands on return and the cost of

borrowing money to finance the projects. Yet nuclear power enjoys low operating costs, which can make it competitive on the basis of the electricity price needed to recover the capital investment over a plant's lifetime. And if governments eventually cap carbon dioxide emissions through either an emissions charge or a regulatory requirement, as they are likely to do in the next decade or so, then nuclear energy will be more attractive relative to fossil fuels.

In the United States, there is still a great deal of uncertainty over the cost of new nuclear power plants. It has been almost 40 years since the last new nuclear power plant was ordered. The Tennessee Valley Authority, a federally owned corporation, is currently finishing construction of the Watts Bar Unit 2 reactor, in eastern Tennessee, which was started long ago, and it has plans to complete another, Bellefonte Unit 1, in Hollywood, Alabama. The first new nuclear plants of next-generation design are likely to be built in Georgia by the Southern Company, pending the NRC's approval. Scheduled for completion in 2016, the proposed project entails two reactors totaling 2,200 megawatts at an estimated cost of $14 billion. It will take advantage of substantial subsidies (loan guarantees, production tax credits, and the reimbursement of costs caused by regulatory delay) that were put forward in the 2005 Energy Policy Act to kick-start the construction of new nuclear plants. Even after Fukushima, Congress and the White House appear to still be committed to this assistance program. The success or failure of these construction projects in avoiding delays and cost overruns will help determine the future of nuclear power in the United States.

## A SMALLER SOLUTION

THE SAFETY and capital cost challenges involved with traditional nuclear power plants may be considerable, but a new class of reactors in the development stage holds promise for addressing them. These reactors, called small modular reactors (SMRs), produce anywhere from ten to 300 megawatts, rather than the 1,000 megawatts produced by a typical reactor. An entire reactor, or at least most of it, can be built in a factory and shipped to a site for assembly, where several reactors can be installed together to compose a larger nuclear power station. SMRs have attractive safety features, too. Their design often incorporates

natural cooling features that can continue to function in the absence of external power, and the underground placement of the reactors and the spent-fuel storage pools is more secure.

Since SMRs are smaller than conventional nuclear plants, the construction costs for individual projects are more manageable, and thus the financing terms may be more favorable. And because they are factory-assembled, the on-site construction time is shorter. The utility company can build up its nuclear power capacity step by step, adding additional reactors as needed, which means that it can generate revenue from electricity sales sooner. This helps not only the plant owner but also customers, who are increasingly being asked to pay higher rates today to fund tomorrow's plants.

The assembly-line-like production of SMRs should lower their cost, too. Rather than chasing elusive economies of scale by building larger projects, SMR vendors can take advantage of the economies of manufacturing: a skilled permanent work force, quality control, and continuous improvement in reactors' design and manufacturing. Even though the intrinsic price per megawatt for SMRs may be higher than that for a large-scale reactor, the final cost per megawatt might be lower thanks to more favorable financing terms and shorter construction times—a proposition that will have to be tested. The feasibility of SMRs needs to be demonstrated, and the government will almost certainly need to share some of the risk to get this done.

No SMR design has yet been licensed by the NRC. This is a time-consuming process for any new nuclear technology, and it will be especially so for those SMR designs that represent significant departures from the NRC's experience. Only after SMRs are licensed and built will their true cost be clear. The catch, however, is that the economies of manufacturing can be realized and understood only if there is a reliable stream of orders to keep the manufacturing lines busy turning out the same design. In order for that to happen, the U.S. government will have to figure out how to incubate early movers while not locking in one technology prematurely.

With the U.S. federal budget under tremendous pressure, it is hard to imagine taxpayers funding demonstrations of a new nuclear technology. But if the United States takes a hiatus from creating new clean-energy options—be it SMRs, renewable energy, advanced batteries, or

carbon capture and sequestration—Americans will look back in ten years with regret. There will be fewer economically viable options for meeting the United States' energy and environmental needs, and the country will be less competitive in the global technology market.

## WASTE BASKET CASE

If nuclear energy is to enjoy a sustained renaissance, the challenge of managing nuclear waste for thousands of years must be met. Nuclear energy is generated by splitting uranium, leaving behind dangerous radioactive products, such as cesium and strontium, that must be isolated for centuries. The process also produces transuranic elements, such as plutonium, which are heavier than uranium, do not occur in nature, and must be isolated for millennia. There is an alternative to disposing of transuranic elements: they can be separated from the reactor fuel every few years and then recycled into new nuclear reactor fuel as an additional energy source. The downside, however, is that this process is complex and expensive, and it poses a proliferation risk since plutonium can be used in nuclear weapons. The debate over the merits of recycling transuranic elements has yet to be resolved.

What is not disputed is that most nuclear waste needs to be isolated deep underground. The scientific community has supported this method for decades, but finding sites for the needed facilities has proved difficult. In the United States, Congress adopted a prescriptive approach, legislating both a single site, at Yucca Mountain, in Nevada, and a specific schedule for burying spent fuel underground. The massive project was to be paid for by a nuclear waste fund into which nuclear power utilities contribute about $750 million each year. But the strategy backfired, and the program is in a shambles. Nevada pushed back, and the schedule slipped by two decades, which meant that the government had to pay court-ordered damages to the utility companies. In 2009, the Obama administration announced that it was canceling the Yucca Mountain project altogether, leaving no alternative in place for the disposal of radioactive waste from nuclear power plants. The Nuclear Waste Fund has reached $25 billion but has no disposal program to support.

Fukushima awakened the American public and members of Congress to the problem of the accumulation of radioactive spent fuel in cooling

pools at reactor sites. The original plan had been to allow the spent fuel to cool for about five years, after which it would be either disposed of underground or partly recycled. Now, the spent nuclear fuel has nowhere to go. Many utilities have moved some of the spent fuel out of the pools and into dry storage facilities built on site, which the NRC has judged safe for a century or so. The dry storage facilities at Fukushima were not compromised by the earthquake and tsunami, a sharp contrast to the problems that arose with the spent-fuel pools when cooling could not be maintained. To deal with the immediate problem of waste building up in reactor pools, Congress should allow the Nuclear Waste Fund to be used for moving the spent fuel accumulating in pools into dry-cask storage units nearby. But such an incremental step should not substitute for a comprehensive approach to waste management.

The U.S. government's program for nuclear waste management is now in a shambles.

Instead of being stored near reactors, spent fuel should eventually be kept in dry casks at a small number of consolidated sites set up by the government where the fuel could stay for a century. This approach has several advantages. The additional cooling time would provide the Department of Energy, or some other organization, with more flexibility in designing a geological repository. The government would no longer have to pay utilities for not meeting the mandated schedule, and communities near reactors would be reassured that spent fuel has a place to go. At each site, the aging fuel would be monitored, so that any problems that arose could be addressed. The storage facilities would keep Washington's options open as the debate over whether spent fuel is waste or a resource works itself out. These sites should be paid for by the Nuclear Waste Fund, a change that would require congressional approval.

At the same time, Washington must find an alternative to Yucca Mountain for storing nuclear waste in the long run. As it does so, it must adopt a more adaptive and flexible approach than it did last time, holding early negotiations with local communities, Native American tribes, and states. Sweden upgraded its waste disposal program with just such a consensus-based process, and for a dozen years the U.S.

Department of Energy has operated a geological repository for trans-uranic waste near Carlsbad, New Mexico, with strong community support. The government should also investigate new approaches to disposal. For example, it might make sense to separate out the long-living transuranic elements in nuclear reactor waste, which constitute a nasty but very small package, and dispose of them in a miles-deep borehole, while placing the shorter-living materials in repositories closer to the surface. Given the sustained challenge of waste management, an overhaul to the existing program should include the establishment of a new federally chartered organization that is a step or two removed from the short-term political calculus.

Another break from the past would be to manage civilian nuclear waste separately from military nuclear waste. In 1985, the government elected to comingle defense and civilian waste in a single geological repository. This made sense at the time, since the planners assumed that Yucca Mountain would be available for storing both types. But now, it looks as though it will be many years before a large-scale repository opens. Today, it makes more sense to put plans for storing military waste on a separate, faster track, since that process is less daunting than coming up with a solution to civilian waste. To begin with, there is simply much less military waste, and the volume will hardly grow in the future. Moreover, most of the military waste already has the uranium and plutonium separated out from the spent fuel, since the aim was to produce nuclear weapons material. Thus, what is left is definitely waste, not a resource.

Fast-tracking a defense waste program would allow the federal government to meet its obligations to states that host nuclear weapons facilities, from which it has agreed to remove radioactive waste. It would also make the finances of waste storage much clearer, since the nuclear utility companies pay for their waste management, whereas Congress has to approve payments for defense waste. And assuming a defense waste repository were established first, the experience gained operating it would be highly valuable when it comes time to establish a civilian one.

The United States' dysfunctional nuclear waste management system has an unfortunate international side effect: it limits the options for preventing other countries from using nuclear power infrastructure to

produce nuclear weapons. If countries such as Iran are able to enrich uranium to make new reactor fuel and separate out the plutonium to recover its energy value, they then have access to the relevant technology and material for a weapons program. Safeguards agreements with the International Atomic Energy Agency are intended to make sure that civilian programs do not spill over into military ones, but the agency has only a limited ability to address clandestine programs.

Developing enrichment or separation facilities is expensive and unlikely to make economic sense for countries with small nuclear power programs. What these countries care about most is an assured supply of reactor fuel and a way to alleviate the burden of waste management. One promising scheme to keep fissile material out of the hands of would-be proliferators involves returning nuclear waste to the fuel-supplying country (or a third country). In effect, nuclear fuel could be leased to produce electricity. The country supplying the fuel would treat the returned spent fuel as it does its own, disposing of it directly or reprocessing it. In most cases, the amount of additional waste would be small in comparison to what that country is already handling. In return for giving up the possibility of reprocessing fuel and thus separating out weapons-grade material, the country using the fuel would free itself from the challenges of managing nuclear waste.

The public needs to be convinced that nuclear power is safe.

The United States already runs a similar program on a smaller scale, having provided fuel, often highly enriched uranium, to about 30 countries for small research reactors. But with no functioning commercial waste management system in place, the program cannot be extended to accommodate waste from commercial reactors. Instead, Washington is trying to use diplomacy to impose constraints on a country-by-country basis, in the futile hope that countries will agree to give up enrichment and reprocessing in exchange for nuclear cooperation with the United States. This ad hoc approach might have worked when the United States was the dominant supplier of nuclear technology and fuel, but it no longer is, and other major suppliers, such as France and Russia, appear uninterested in imposing such restrictions on commercial transactions. Putting together a coherent waste management

program would give the United States a leg to stand on when it comes to setting up a proliferation-resistant international fuel-cycle program.

## NOW OR NEVER

As GREENHOUSE gases accumulate in the atmosphere, finding ways to generate power cleanly, affordably, and reliably is becoming an even more pressing imperative. Nuclear power is not a silver bullet, but it is a partial solution that has proved workable on a large scale. Countries will need to pursue a combination of strategies to cut emissions, including reining in energy demand, replacing coal power plants with cleaner natural gas plants, and investing in new technologies such as renewable energy and carbon capture and sequestration. The government's role should be to help provide the private sector with a well-understood set of options, including nuclear power—not to prescribe a desired market share for any specific technology.

The United States must take a number of decisions to maintain and advance the option of nuclear energy. The NRC's initial reaction to the safety lessons of Fukushima must be translated into action; the public needs to be convinced that nuclear power is safe. Washington should stick to its plan of offering limited assistance for building several new nuclear reactors in this decade, sharing the lessons learned across the industry. It should step up its support for new technology, such as SMRs and advanced computer-modeling tools. And when it comes to waste management, the government needs to overhaul the current system and get serious about long-term storage. Local concerns about nuclear waste facilities are not going to magically disappear; they need to be addressed with a more adaptive, collaborative, and transparent waste program.

These are not easy steps, and none of them will happen overnight. But each is needed to reduce uncertainty for the public, the energy companies, and investors. A more productive approach to developing nuclear power—and confronting the mounting risks of climate change—is long overdue. Further delay will only raise the stakes.

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# The Dying Bear

## Russia's Demographic Disaster

*Nicholas Eberstadt*

December marks the 20th anniversary of the end of the Soviet dictatorship and the beginning of Russia's postcommunist transition. For Russians, the intervening years have been full of elation and promise but also unexpected trouble and disappointment. Perhaps of all the painful developments in Russian society since the Soviet collapse, the most surprising—and dismaying—is the country's demographic decline. Over the past two decades, Russia has been caught in the grip of a devastating and highly anomalous peacetime population crisis. The country's population has been shrinking, its mortality levels are nothing short of catastrophic, and its human resources appear to be dangerously eroding.

Indeed, the troubles caused by Russia's population trends—in health, education, family formation, and other spheres—represent a previously unprecedented phenomenon for an urbanized, literate society not at war. Such demographic problems are far outside the norm for both developed and less developed countries today; what is more, their causes are not entirely understood. There is also little evidence that Russia's political leadership has been able to enact policies that have any long-term hope of correcting this slide. This peacetime population crisis threatens Russia's economic outlook, its ambitions to modernize

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and develop, and quite possibly its security. In other words, Russia's demographic travails have terrible and outsized implications, both for those inside the country's borders and for those beyond. The humanitarian toll has already been immense, and the continuing economic cost threatens to be huge; no less important, Russia's demographic decline portends ominously for the external behavior of the Kremlin, which will have to confront a far less favorable power balance than it had been banking on.

## TOO MUCH MORTALITY

EVEN IN the Soviet years, Russia was less than a paragon of a healthy society. The syndrome of long-term stagnation and then decline in public health, never before seen in an industrialized country, first emerged during the Brezhnev era and continued to dog Russia until the downfall of the communist system. Still, in the late 1980s, the days of Mikhail Gorbachev's perestroika, Russian births exceeded deaths by an average of more than 800,000 per year. But the collapse of communism in Eastern Europe and then of the Soviet Union itself sent a series of demographic shocks reverberating across the Eastern bloc: virtually every former Warsaw Pact country experienced a sharp drop in births and a spike in deaths, as if beset by a sudden famine, epidemic, or war. Most of these perturbations were temporary—but not in Russia, where they proved to be more extreme and more enduring than in virtually any other former communist state.

Post-Soviet Russia has become a net mortality society, steadily registering more deaths than births. Since 1992, according to Rosstat, Russia's federal statistics agency (also known as Goskomstat since Soviet times), about 12.5 million more Russians have been buried than born—or nearly three funerals for every two live deliveries for the past 20 years. Globally, in the years since World War II, there has been only one more horrific surfeit of deaths over births: in China in 1959–61, as a result of Mao Zedong's catastrophic Great Leap Forward.

As a result of this imbalance, Russia has entered into a process of depopulation. Immigration, mainly from neighboring former Soviet states, has cushioned the fall somewhat but has not been able to prevent it. Since 1992, according to official Russian figures, Russia's population

has fallen nearly every year (1993 and 2010 are the exceptions, with the latter experiencing an increase of just 10,000 people). According to these figures, between 1993 and 2010, Russia's population shrank from 148.6 million to 141.9 million people, a drop of nearly five percent. (Russia's 2010 census will eventually adjust the latter total upward by around one million people due to the undercounting of immigrants, but this does not change the overall picture.)

Russia is not alone in its population decline; this is a phenomenon that is increasingly common among modern societies, including affluent democratic ones. Three of the world's G-7 states—Germany, Japan, and Italy—are at the cusp of sustained population decline or have already entered into it. Yet there is a fundamental difference between those countries and Russia: Germany, Japan, and Italy are confronting the prospect of population decline at a time of robust and steadily improving levels of public health. Russia, however, is suffering an extraordinary and seemingly unending mortality crisis, in which health conditions are deteriorating and are further fueling high death rates.

The overall magnitude of Russia's downward health spiral is catastrophic. According to estimates from the Human Mortality Database, a research consortium, overall life expectancy at birth in Russia was slightly lower in 2009 (the latest year for which figures are available) than in 1961, almost half a century earlier. The situation is even worse for Russia's adult population: in 2009, life expectancy at age 15 for all Russian adults was more than two years below its level in 1959; life expectancy for young men sank by almost four years over those two generations. Put another way, post-Soviet Russia has suffered a cumulative "excess mortality" of more than seven million deaths, meaning that if the country could have simply held on to its Gorbachev-era survival rates over the last two decades, seven million deaths could have been averted. This figure is more than three times the death toll World War I inflicted on imperial Russia.

By various measures, Russia's demographic indicators resemble those in many of the world's poorest and least developed societies. In 2009, overall life expectancy at age 15 was estimated to be lower in Russia than in Bangladesh, East Timor, Eritrea, Madagascar, Niger, and Yemen; even worse, Russia's adult male life expectancy was estimated

to be lower than Sudan's, Rwanda's, and even AIDS-ravaged Botswana's. Although Russian women fare relatively better than Russian men, the mortality rate for Russian women of working age in 2009 was slightly higher than for working-age women in Bolivia, South America's poorest country; 20 years earlier, Russia's death rate for working-age women was 45 percent lower than Bolivia's.

## IN SICKNESS AND IN POOR HEALTH

WHAT EXPLAINS Russia's gruesome deterioration? Although the country's problems with infectious diseases—most alarming, HIV/AIDS and drug-resistant tuberculosis—are well known, they account for only a small fraction of the awful gap between Western and Russian survival rates. Most immediately, the country's fateful leap backward in health and survival prospects is due to an explosion in deaths from cardiovascular disease and what epidemiologists call "external causes," such as poisoning, injury, suicide, homicide, traffic fatalities, and other violent accidents. Deaths from cardiovascular disease and injuries account for the overwhelming majority of Russia's spike in mortality levels and for nearly the entire gap separating Russia's mortality levels from those of Western countries. At the moment, death rates from cardiovascular disease are more than three times as high in Russia as in western Europe, and Russian death rates from injury and violence have been stratospheric, on par with those in African postconflict societies, such as Liberia and Sierra Leone.

Understanding why such death rates are so high in an urbanized and literate society during peacetime, however, is another question altogether. Russia's deadly romance with the vodka bottle certainly has something to do with it; smoking, diet, and poor preventive and curative health care surely exact their toll as well. According to the World Health Organization, as of 2004, daily smokers accounted for a higher fraction of the adult population in Russia—36 percent—than in any other country in Europe. Yet even given all these factors, Russia's health levels are worse and its death levels are higher than Western public health models would predict. The brute fact is that no one understands why Russians are as unhealthy as they are: it could very well be related to attitudes, viewpoints, and attendant patterns

of behavior that fall under the rubric of "mental health." Without delving into cultural or psychosocial speculation, however, suffice it to say that Russian lifestyles are extremely hazardous to one's health—and result in far higher mortality levels than would be expected of a country at such a relatively high income level.

Another cause of Russians' ill health may lie in education, and Russia's educational woes represent a human resource problem as well. On its face, education should be the saving grace of Russian social policy: after all, as many Russians, if not more, attain higher education as do citizens in many affluent Western countries. According to the Organization for Economic Cooperation and Development, the proportion of Russia's adult population with postsecondary training or degrees is higher than in almost any OECD country. And in the Soviet era, Russian scientists and inventors were renowned for their acumen (albeit mainly in fields with military applications).

But today, Russia's educational system appears to be broken, or at least the country seems unable to derive the expected benefits from it. All around the world, high levels of education generally correspond

with better public health, yet Russia bucks this trend: despite boasting a proportion of adults with a postsecondary education that is 30 percentage points higher than the OECD average, Russia nevertheless manages to achieve an overall adult life expectancy that is barely higher than Senegal's. Part of the problem is that although many Russians go to school, college, and university, that schooling is terribly subpar. Standardized international test results reveal that Russian primary and secondary schooling today is at best mediocre. In a 2009 OECD test to measure scholastic performance, Russian students' reading scores were lower than Turkish students', and Turkey itself is near the bottom of the OECD rankings.

Russia's university and higher education system looks even worse. Although Russia today accounts for about six percent of the world's population with a postsecondary education, barely 0.1 percent of the worldwide patents granted by the U.S. Patent and Trademark Office over the last decade and a half were awarded to Russians. This is not some U.S. conspiracy against Russian inventors: the records of the UN's World Intellectual Property Organization show that Russia's share of out-of-country patent applications over that same period was less than 0.2 percent of the global total. The picture is hardly better when it comes to the output of scientific papers: the number of articles by Russians in peer-reviewed journals was no higher in 2008 than it had been in 1990, whereas output almost everywhere else in the world rose over those same years. By 2008, Russian authors were publishing far fewer scientific papers than the authors of Russia's BRIC peers: Brazil, China, and India. In effect, Russia stands as a new and disturbing wonder in today's globalized world: a society characterized by high levels of schooling but low levels of health, knowledge, and education.

Family formation trends are a further cause for concern. Between 1987 and 1993, the number of births in Russia dropped precipitously, from 2.5 million to 1.4 million, and it ultimately fell to 1.2 million in 1999, before commencing a turnaround of sorts. In 2010, Russia celebrated 1.79 million births, the highest national total in 20 years. Even so, this total was 25 percent lower than a quarter century earlier and represented a pattern that, if continued, would average out to a long-term fertility level of just over 1.5 births per woman, which is 27 percent below the level required for long-term population stability. Unsurprisingly,

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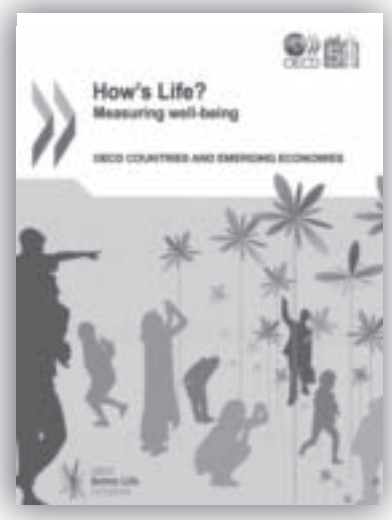


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there is much variation from this average among Russia's many ethnic groups and territories. Ethnic Russians have one of the country's lowest fertility rates, whereas Chechens appear to have the highest, with Chechnya reporting an average of 3.3 births per woman. (Chechnya is an anomaly even among Russia's Muslim-majority regions: most of them, including Chechnya's neighbors, Dagestan and Ingushetia, report sub-replacement fertility levels.)

Beyond birthrates, the way Russians form families and raise children has also undergone tremendous change over the past two decades, which raises questions about the human and economic potential of the country's rising generation. Marriages in today's Russia, for example, are less stable than marriages even in the Soviet era, when the country's divorce rates were already notoriously high. Russia has 56 divorces for every 100 marriages, an imperfect but telling indicator of long-term marriage prospects. Increasing family instability, of course, is a pervasive trend the world over, taking hold in nearly all of Europe and in many other affluent societies. But Russia's single parents must raise their children on far lower income levels than their counterparts in western Europe and North America. Unlike Europeans or Americans, they can count on little support from social welfare programs. Although Western economic theory would suggest that having fewer children means that parents can invest more in each child, the opposite seems to be happening in Russia: despite its steep drop in births, the country has seen small but ominous decreases in primary school enrollment ratios and alarming increases in child abandonment. According to official statistics, more than 400,000 Russian children below 18 years of age lived in residential care as of 2004, meaning that almost one child in 70 was in a children's home, an orphanage, or a state-run boarding school. Russia is also home to a large and growing contingent of homeless children, which, according to some nongovernmental and charitable organizations, could very well exceed the number of youth under institutional care.

## TOO LITTLE, TOO LATE

The Kremlin understands that Russia's adverse demographic patterns are so abnormal and dangerous that they require strong public

policies to counteract them. Over the last several years, Moscow has introduced new and ambitious programs aimed at reversing the country's downward demographic spiral. In 2006, then President Vladimir Putin unveiled a program that promised up to $10,000 in credits and subsidies for mothers who had a second or third child. He also issued a decree endorsing a "Concept for Demographic Policy of the Russian Federation up to 2025," which called for Russia's population to stabilize at about 145 million people by 2025, with overall life expectancy at birth at 75 years (versus 67 then) and total fertility rates at 1.95, up 50 percent from the years before the plan was enacted. After 2015, according to the plan, births would exceed deaths in Russia. At the same time that the Kremlin is trying to increase births, it is also implementing new public health measures to drive death rates down, including measures that make alcohol more expensive and harder to purchase.

To judge by its public pronouncements, the Kremlin appears optimistic about its new measures. And indeed, since they have gone into effect, births have risen and death totals have come down; in fact, overall life expectancy in Russia in 2009 was almost 69 years, higher than for any year since the Soviet collapse. Yet such a seemingly positive prognosis flies in the face of some obvious and irreversible demographic realities. For starters, Russia's birth slump over the past two decades has left the country with many fewer potential mothers for the years ahead than the country has today. Women between 20 and 29 years of age bear nearly two-thirds of Russia's babies. In 2025, Russia is projected to have just 6.4 million women in their 20s, 45 percent fewer than today—and there is relatively little mystery in these projections, given that all women who will be between 20 and 29 years in 2025 are already alive. Under such circumstances, simply maintaining current national birth totals would require heroic upsurges in maternity.

At the same time, Russia's population will be rapidly graying. Between 2011 and 2025, according to U.S. Census Bureau projections, the median age in Russia will rise by almost two days every week, from 38.7 years to 42.4 years. The Census Bureau also anticipates that Russians 65 and older, a cohort that now makes up 13 percent of the country's population, will compose almost 19 percent in 2025. As a result of aging alone, per capita mortality in Russia would rise by more than

20 percent if nothing else changed. And given the immense negative momentum in public health among the Russian population today, attaining any long-term improvements in life expectancy promises to be a formidable task. In order to return even to the working-age death rates of 1964, overall mortality levels for Russian men and women would have to drop by more than 25 percent. Such a reversal would be an impressive achievement to attain by 2025, but even if Russia managed this feat, its working-age mortality levels would be higher than those of Honduras today.

Given these realities, Russia is likely to remain a net mortality society for the foreseeable future. Official Russian statistics anticipate a continuing—and widening—gap separating deaths and births between now and 2030. Rosstat envisions a surfeit of 205,000 deaths over births for 2011, rising to more than 725,000 in 2030, with a cumulative total of 9.5 million more deaths than births between 2011 and 2030. Even in Rosstat's most optimistic scenario, the agency projects a mortality surfeit of 2.7 million between 2011 and 2025, reaching 4.7 million by 2030. In these official Russian forecasts, further depopulation can be forestalled only by massive immigration from abroad.

Russia has certainly benefited over the past two decades from a net influx of millions of workers, most of whom hail from former Soviet states in the Caucasus and Central Asia. (The Russian economy has also been helped by its own flow of émigrés overseas, who send billions of dollars of remittances home each year.) But the outlook for future immigration to Russia is clouded: changes in education policy throughout the former Soviet Union mean that today's immigrants from the Caucasus and Central Asia speak less Russian than their parents and thus have more difficultly integrating into Russian society. Meanwhile, the Russian public's attitude toward newcomers from those regions has grown less welcoming.

No less important is domestic migration, especially in terms of the vast expanse of Russia's Far East, a region of over two million square miles and barely six million inhabitants. One-sixth of the population of this harsh and forbidding territory has moved out since 1989, and the exodus continues. Many Russian analysts and policymakers are worried about what will become of this resource-rich area that adjoins a rising and densely populated China. Some Western scholars, such as Maria

Repnikova of the University of Oxford and Harley Balzer of Georgetown University, see great and as yet unexploited opportunities for economic integration between the Russian Far East and its neighbors, especially China. Yet leading Russian demographers have a more dramatic vision: they fear that the region could cease to be part of Russia sometime in the current century, an outcome they see as carrying great geopolitical portent.

## THE BEAR LASHES OUT?

Above all, Russia's current demographic patterns will have dreadful consequences for Russians' quality of life. Beyond the effect on individual well-being, the country's demographic decline will have grave implications for economic performance. Although Russia may be blessed with vast natural resources, human resources are what ultimately account for national wealth in today's global economy. Natural resources can augment affluence in societies already relatively rich in human capital, as Canada, the Netherlands, and Norway can attest, but they are no substitute for human capital. In modern times, there is not one example of a raw-materials superpower. And for all its energy riches, Russia earns less in export revenues each year than does Belgium. Although President Dmitry Medvedev warns that Russia must not remain a raw-materials economy and champions his modernization campaign, his administration has done little to position Russia as a knowledge-based economy.

Although the Russian government has acknowledged the country's poor demographic trends, it appears to have both grossly underestimated the severity of the crisis and overestimated the ability of current Kremlin policies to counteract whatever negative effects it thinks may be on the horizon. In 2008, just before the onset of the global economic crisis, the Kremlin unfurled an ambitious economic plan known as Russia 2020. It envisions Russia ascending into the ranks of the top five global economies by 2020 and sets as a goal an average annual economic growth rate of 6.6 percent between 2007 and 2020. Even though Russia's per capita output in 2010 was barely higher than it was in 2007, the Kremlin still embraces the Russia 2020 targets as feasible. But attaining those goals would now require an average growth in labor

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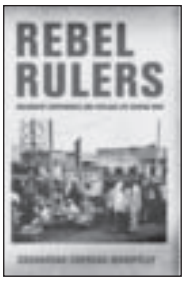



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productivity of more than nine percent per year between 2010 and 2020. Such a tempo of long-term growth in labor productivity was not even reached by China between 1978 and the present day, the greatest period of long-term economic growth ever registered by any country in history.

Rather than focusing on catapulting the Russian economy into the top echelon of global performers, Russian policymakers would be wise to ask what it would take to prevent the Russian economy from shrinking as a share of total global output in the decades ahead. Between 2005 and 2025, according to U.S. Census Bureau projections, Russia's share of the global working-age population is projected to drop from 2.4 percent to 1.6 percent. This implies that Russia's long-term improvements in labor productivity must average two percent more per year than in the rest of the world. Such prospective accomplishments can hardly be taken for granted given Russia's health and educational problems, not to mention the looming pressures of an aging population. If these accomplishments are not met, Russia's share of world economic output, and the country's global economic influence, will diminish in the years ahead. (This is not to say that Russia will grow poorer, but in a progressively richer, healthier, and more educated world, Russia's human resource constraints may mean that the country should expect a smaller share of the future global economic pie.)

> Moscow might become more prone to miscalculation when it comes to relations with both allies and rivals.

Russia's demographic crisis also has implications for its military capabilities and, by extension, for international security. In 2007, former Russian Prime Minister Sergei Stepashin warned that the "reduction in the size of the population and the reduction of population density . . . will create the danger of weakening Russia's political, economic, and military influence in the world." As he recognized, Russia's demographic crisis places inexorable limits on the country's defense potential, especially in terms of military manpower. Maintaining the country's current force structure—a military of more than a million soldiers, mainly comprising conscripts obliged to serve one-year terms of service—will not be feasible in the years immediately ahead. Despite plans to

transform Russia's armed forces into an all-volunteer service, the Russian military continues to be manned mainly by 18-year-old men. In 1990, slightly more than one million boys were born in Russia; by 1999, however, this number had dropped by 39 percent, to 626,000. Roughly speaking, this means that Russia's pool of prospective recruits is set to fall by almost two-fifths between 2008 and 2017. If Moscow is to prevent this dramatic drop-off in military manpower, it has only two choices: induct fewer qualified conscripts or extend the term of service under the draft beyond the current 12 months. The former is unpalatable because of the need for healthy and educated troops for modern militaries; the latter is politically impossible because of the immense unpopularity of the draft and the penurious wages paid to Russian soldiers.

Russia's brief war with Georgia in August 2008 was taken by many, including some in the Kremlin, as a sign that Russia was once again militarily resurgent after a decade of post-Soviet weakness. But the military contest with Georgia, a tiny neighbor with barely 20,000 soldiers, hardly qualified as a test of great-power capabilities, much less a test of Russia's global reach. Beyond the question of military manpower, Russia's defense potential today is compromised by the country's crisis in higher education and technical training. The same poor performance in knowledge creation reflected in the number of Russia's international patent awards can also be seen in the defense sector's research and development efforts. Russia's armaments industries have not been knowledge-driven innovators; instead, the defense sector appears largely to be living off the intellectual capital of the Soviet era. Unlike Beijing, which is committed to military modernization in the coming decades, Moscow is in effect preparing to fight this century's wars with last century's technology. In fact, as the Russia analysts Anders Aslund and Andrew Kuchins noted in 2009, as China's military capabilities have improved, Beijing has "reduced its imports of Russian military technology and even exports its own versions to traditional Russian clients such as Angola, Ethiopia and Syria." Russia's dwindling conventional military is on track to become the Polish cavalry of coming generations.

Throughout the Putin and Medvedev eras, the potential security risks to Russia from the ongoing demographic crisis have weighed

heavily on the minds of the country's leaders. In his first State of the Nation address, in July 2000, Putin declared that "year by year, we, the citizens of Russia, are getting fewer and fewer. . . . We face the threat of becoming a senile nation." In his 2006 address, he identified demographics as "the most acute problem facing our country today." In Medvedev's May 2009 National Security Strategy, the country's demographic situation was noted as one of the "new security challenges" that Russia must confront in the years ahead. In other words, the potential ramifications of Russia's population trends are not entirely lost on the Kremlin—and they are hardly just a domestic concern. But how will Russia's bunkered and undemocratic leaders cope with the demographic pressures and unfavorable human resource trends that are undermining their goals? For the international community, this may be the single most disturbing aspect of Russia's peacetime population crisis: it is possible that Russia's demographic decline could prompt Moscow to become a more unpredictable, even menacing, actor on the world stage.

Most immediately and dramatically, the decline could lead Russia's military leaders, aware of their deficiencies in both manpower and advanced technology, to lower the threshold at which they might consider using nuclear weapons in moments of crisis. Indeed, such thinking was first outlined in Putin's 2000 National Security Concept and was reaffirmed in Medvedev's 2009 National Security Strategy. The official Russian thinking is that nuclear weapons are Russia's trump card: the more threatening the international environment, the more readily Moscow will resort to nuclear diplomacy.

For the moment, the Kremlin evidently still believes that its ambitious long-term socioeconomic plans will not only remedy the country's demographic woes but also propel Russia into the select ranks of the world's economic superpowers. But if Russia's demographic decline and relative economic decline continue over the next few decades, as they most likely will, Moscow's leaders will be unable to sustain that illusion.

Indeed, once the Kremlin finally confronts the true depths of the country's ugly demographic truths, Russia's political leaders could very well become more alarmist, mercurial, and confrontational in their international posture. And in the process, Moscow might become

more prone to miscalculation when it comes to relations with both allies and rivals. Meanwhile, Russia is surrounded by countries whose stability and comity in the decades ahead are anything but given: for example, Afghanistan, Iran, North Korea, Pakistan, and the Central Asian republics. If Russia's periphery becomes more unstable and threatening at the same time that Russia's rulers realize their relative power is waning, the Kremlin's behavior may well become less confident—and more risky.

Russia's monumental demographic and human resource crisis cannot be remedied without a commensurately monumental nationwide effort by the Russians themselves. Such an effort will require a historic change in Russian mentality, both in the halls of power and among the general population. On the bright side, with hundreds of billions of dollars of foreign exchange in its vaults, Russia probably has the means to finance the education and public health campaigns needed for such a transformation.

Foreign governments and other outside actors can also play a role. To start, the international community should promote technical exchanges and training, joint projects on developing best practices in health and education, and civil-society dialogues to build a domestic Russian constituency for stanching the ongoing hemorrhage of Russian life and talent. And when necessary, foreign policymakers, businesspeople, and officials from nongovernmental organizations should be ready to publicly shame the Russian government for its patent neglect of its people's well-being. After all, a healthy, robust Russia is not just in the interest of the Russian people; it is in the interest of the rest of the world, too.

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# Is Indonesia Bound for the BRICs?

## How Stalling Reform Could Hold Jakarta Back

*Karen Brooks*

Indonesia is in the midst of a yearlong debut on the world stage. This past spring and summer, it hosted a series of high-profile summits, including for the Overseas Private Investment Corporation in May, the World Economic Forum on East Asia the same month, and the Association of Southeast Asian Nations (ASEAN) in July. With each event, Indonesia received broad praise for its leadership and achievements. This coming-out party will culminate in November, when the country hosts the East Asia Summit, which U.S. President Barack Obama and world leaders from 17 other countries will attend. As attention turns to Indonesia, the time is ripe to assess whether Jakarta can live up to all the hype.

A little over ten years ago, during the height of the Asian financial crisis, Indonesia looked like a state on the brink of collapse. The rupiah was in a death spiral, protests against President Suharto's regime had turned into riots, and violence had erupted against Indonesia's ethnic Chinese community. The chaos left the country—the fourth largest in the world, a sprawling archipelago including more than 17,000 islands, 200 million people, and the world's largest Muslim population—without a clear leader.

Today, Indonesia is hailed as a model democracy and is a darling of the international financial community. The Jakarta Stock Exchange

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has been among the world's top performers in recent years, and some analysts have even called for adding Indonesia to the ranks of the BRIC countries (Brazil, Russia, India, and China). More recent efforts to identify the economic superstars of the future—Goldman Sachs' "Next 11," PricewaterhouseCoopers' "E-7" (emerging 7), *The Economist*'s "CIVETS"(Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa), and Citigroup's "3G"—all include Indonesia.

To be sure, Indonesia's track record has been impressive. In just a few short years following Suharto's 1998 fall from power, Indonesia transformed from a tightly controlled authoritarian system to one of the most vibrant democracies on earth. The elections in 1999 were widely praised as a triumph of democracy; the military stayed on the sidelines, and independent civil-society groups and the media blossomed in the run-up to the polls. With sweeping political and fiscal decentralization, Jakarta devolved real power and resources to the country's hundreds of districts and municipalities. The government created new, independent political institutions to provide for additional checks and balances, including a constitutional court, a judicial commission, and a corruption eradication commission (known by its Indonesian acronym, KPK). An ambitious constitutional reform formalized a presidential system and established a one-man, one-vote process. With no mechanism to filter the results (as the Electoral College does in the United States), Indonesia's voting system is among the most democratic in the world.

The police attempted to frame two of the corruption commission's members for, of all things, corruption.

The country's economic turnaround has been no less dramatic. In 1998, Indonesia's economy suffered a contraction of more than 13 percent. Since then, it has grown at an average rate of more than five percent per year, including 4.5 percent in 2009, when GDPs in much of the rest of the world shrank. This year, the Indonesian economy is expected to grow 6.5 percent. Indonesia's debt-to-GDP ratio has declined from a high of 100.3 percent in 2000 to 26 percent today, which compares favorably to those of the country's neighbors: Malaysia's is 54 percent, Vietnam's is 53 percent, the Philippines' is 47 percent, and Thailand's is 44 percent. Inflation, which spiked to 77 percent in 1998, now hovers

just under five percent. The rupiah, which lost over four-fifths of its value that same year, is the strongest it has been since 2004 and is up 31 percent since 2008 alone. Other ASEAN currencies generally appreciated by between 15 and 20 percent in the same period.

Indonesia has also made great strides in improving its security. In 2004, the government negotiated a peace settlement with Javanese separatists in the region of Aceh, ending a three-decade-long conflict that claimed thousands of lives. Elsewhere, Indonesian security forces have killed or captured hundreds of Islamist militants and have uncovered and shut down major terrorist hideouts and training camps, including one in Aceh in February 2010 that led to a number of high-profile arrests. The government has also implemented important structural reforms, including the creation of a national counterterrorism agency, tasked with forming and enforcing new domestic security laws.

Against this backdrop, Indonesia has started to play a larger role on the international stage. When the G-20 was established in 2008, Indonesia was the only Southeast Asian nation offered membership. That same year, Indonesia launched the Bali Democracy Forum, a yearly regional conference to promote democracy in Asia. In recent months, the forum has become a platform for Indonesia to share lessons from its own democratic transition with some of Egypt's aspiring democrats.

## LOOMING CONSTRAINTS

YET DESPITE all the fanfare, the Indonesian score contains some decidedly discordant notes. Indonesia's ports are overstretched, its electrical grid is inadequate, and its road system is one of the least developed in the region. These conditions make the Indonesian economy inefficient and will stifle its future growth. In some regions, the price of basic commodities is up to three times as high as on the main island of Java. Meanwhile, manufacturers are squeezed by exorbitant transportation costs, which are higher in Indonesia than in almost every other ASEAN nation. On the World Bank's 2010 Logistics Performance Index, which is based on a worldwide survey of shippers and carriers combined with data on the performance of each country's supply chain, Indonesia ranked 75 out of 155, well below its neighbors.

Jakarta is well aware of these problems, yet it currently spends only half as much on infrastructure development as it did in the 1990s. Seeking to address almost constant criticism on this issue, in May, Indonesian President Susilo Bambang Yudhoyono issued a new economic "master plan" with an emphasis on infrastructure projects. He also called for higher infrastructure spending in the 2012 budget. But even this budget would cover only about half of the administration's planned development through 2014. Without the new development, Indonesia will not meet its target of 7–8 percent GDP growth by the same year.

Much of the burden of paving roads and providing power and water nationwide will thus fall to the private sector. However, Indonesia's inadequate regulatory framework and weak enforcement of existing regulations have muted private-sector interest. The absence of meaningful eminent domain regulations has proved particularly problematic; the inability to acquire land has prevented many projects from ever getting off the ground. Bureaucratic chaos at the National Land Agency, where plots are often recorded as being owned by multiple parties, has not helped. Yudhoyono has pledged to tackle these problems, but his credibility on the issue is fading.

Endemic corruption further adds to Indonesia's high-cost economy. At the beginning of his first term, Yudhoyono named combating corruption a top priority. Since then, the KPK has sent dozens of politicians and former government officials to jail. Still, corruption runs deep at all levels of government, since the devolution of power after Suharto's fall brought with it the decentralization of graft. Now, officials from Jakarta down to the village level demand bribes and kickbacks, and such payments no longer ensure that things get done.

A number of high-profile scandals during Yudhoyono's second term have showcased the breadth and depth of the problem. Investigations into the 2008 collapse and subsequent $700 million government bailout of Bank Century, a midsize bank with politically connected depositors, revealed that individuals from all elements of law enforcement—senior police officers, officials from the attorney general's office, lawyers, judges—had attempted to profit from the government bailout.

Since then, the police and others have tried to weaken the KPK, including by attempting to frame two sitting members of the commission

BEAWIHARTA BEAWIHARTA/REUTERS

*In Jakarta, February 11, 2011*

for, of all things, corruption. The episode paralyzed the KPK for months and made a mockery of Indonesia's judicial system. Although the commission emerged from this episode intact, it has since been focused on lower-profile cases.

Perhaps most damning, the president's own political party has been at the center of an escalating series of corruption scandals in recent months. Muhammad Nazaruddin, the party's former treasurer, and other senior party members stand accused of rigging bids to fulfill government contracts worth more than $1 billion. Nazaruddin fled the country in May and spent three months on the lam before he was arrested in Colombia. Such public drama has undermined domestic and international confidence in the administration's supposed fight against corruption. Perhaps more important, no major political party now credibly carries the anticorruption mantle.

The Yudhoyono administration's promotion of Indonesia as an open, investor-friendly economy is another area in which the gap between rhetoric and reality is particularly large. The government's most recent Investment Negative List, which lays out limitations on foreign investment, is more restrictive than in the past. Indonesia has also backslid on some of its international commitments. The ASEAN-China Free-Trade Area, which came into effect in January 2010, is

one such case. As part of the pact, Indonesia and China agreed to reduce or eliminate tariffs on thousands of goods. But since the agreement came into force, Indonesia's domestic industries have pressed for more time to implement its commitments and for the creation of new non-tariff barriers, such as burdensome labeling requirements that would affect a wide range of imports, and not just those from China.

To make matters worse, Yudhoyono announced just days before this year's World Economic Forum in Jakarta that the government would review and revise all its contracts with foreign companies, particularly in the natural resources sector. Underlying the move is an assumption that Indonesia's newly robust economy should give the government the bargaining power to negotiate better terms with foreign firms. Although Indonesian lawmakers applauded the move, foreign investors did not. Indonesia's poor track record on the sanctity of contracts, including, for example, a 2010 regulation that unilaterally changed the economics of previously negotiated oil and gas contracts, helps explain why foreign direct investment in Indonesia lags far behind portfolio inflows to the country.

Indonesia's relative lack of integration with the world economy protected it from the worst of the global financial crisis in 2008. As a result, Yudhoyono's government seems to have concluded that maintaining some insulation from external shocks is more important than allowing rapid growth through foreign investment or through an export-oriented growth strategy. Although the value of Indonesia's exports is up 36.5 percent in 2011 (through July), the increase is overwhelmingly a function of a rise in the price and volume of commodities, namely, gas, coal, palm oil, rubber, and metal. Even with the commodity boom, Indonesia's exports total only around 24 percent of GDP, much less than Malaysia's (96.4 percent), Thailand's (68.4 percent), and the Philippines' (31.7 percent).

The real driver of the country's recent economic growth has been the Indonesian consumer, with consumption accounting for roughly 60 percent of GDP. Indonesian policymakers seem content to keep it that way, and some degree of inward focus may well be appropriate. But Indonesia must strike a balance between protecting itself from external shocks and generating jobs and taking advantage of regional and global growth. If vested business interests continue to drive policies

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that protect certain sectors from foreign competition, they will create inefficiencies and jeopardize critically needed job creation.

## STORM CLOUDS

LABOR AND human resource issues are particularly pressing problems for Indonesia, a country of 245 million with five percent of the population now under the age of 30. This means that the proportion that is of working age will rise significantly over the next decade. Indonesian government officials often point to this coming "demographic dividend" as a comparative advantage over aging societies such as China. They argue that a younger generation will consume more and will provide a more productive labor pool. But for the demographic dividend to, in fact, be a dividend, Indonesia would have to create more jobs, including higher-quality and better-paying ones. Extractive industries are capital-intensive, not labor-intensive, and they cannot be counted on to fulfill this role.

Indonesia already faces significant underemployment and poverty, so additional labor force pressures would be a serious concern. According to the most recent official data, in 2011, 6.8 percent of Indonesians were unemployed and 12.5 percent were living under the poverty line. Unemployment and poverty have both decreased since Yudhoyono took office in 2004—unemployment from over nine percent and poverty from over 16 percent. But these numbers do not tell the whole story; over 65 percent of Indonesia's workers are employed informally, most of them in agriculture. Moreover, the number of university-educated unemployed has increased, from 3.6 percent in 2005 to 8.5 percent in 2010. As for poverty, the World Bank estimates that more than half the population lives on less than $2 per day. For upward of 120 million people, then, any disturbance in monthly income could be devastating.

The answer to these challenges is to create jobs. But Indonesia is neither training its work force nor creating the investment climate it needs to attract value-added and labor-intensive industries. Indonesia lags behind both key ASEAN states and all the BRIC countries in access to high-quality education and thus lacks the skilled labor to move up the value-added chain. And even as skilled workers are in short supply,

*Karen Brooks*

Indonesia maintains one of the most rigid labor regimes in the world, with among the most generous severance packages and most cumbersome layoff procedures. According to the World Economic Forum's 2011–12 *Global Competitiveness Report*, Indonesia scores in the bottom 30 percent of the 142 economies surveyed on labor rigidity.

Meanwhile, Indonesia has seen an increase in the intensity and frequency of ethnic and religious violence in recent years. From communal clashes in Kalimantan to religious violence in Java, the police have been slow to react or unwilling to step in at all, and few perpetrators have been held to account. Yudhoyono has deflected responsibility by calling on local officials to deal with the clashes. His failure of leadership sets a dangerous precedent in a diverse country that is home to at least five different religious traditions and dozens of ethnicities. As its founding fathers understood, Indonesia can survive as a single nation only if tolerance and respect for different ethnicities and religions remain at its core. In addition to casting a shadow over Indonesia's newfound international leadership role, the failure of the state to protect its people and uphold the constitutionally mandated freedom of religion raises the question of whether Indonesia will continue to enjoy the political stability that has allowed for its considerable economic gains.

## YUDHOYONO'S WEAK HAND

INDONESIA NEEDS a combination of leadership and a renewed push for structural reform to overcome its many challenges. So far, however, both remain in short supply. Yudhoyono was elected with more than 60 percent of the vote in 2004 and again in 2009. Yet despite his strong popular mandate, he has never felt comfortable governing on the basis of popular support. Instead, he has repeatedly tried to use cabinet appointments to create legislative coalitions (as one might in a parliamentary system), despite the absence of any such concept in Indonesia's legal and constitutional framework. This strategy has come at the expense of continued reform, as cabinet appointments are made to gain allies rather than recruit reformers with genuine expertise. Indeed, Indonesia passed all its landmark reforms nearly a decade ago.

To be fair, the fault is not all Yudhoyono's. For a presidential system, Indonesia has an uncommonly large number of political parties—nine in all. The ruling Democrat Party is the single largest in the country's legislature, but it still commands only 26 percent of the seats. As a result, out of the 70 bills proposed at the start of Yudhoyono's second term, only a handful have passed—and largely insignificant ones at that. Indonesia needs fewer parties to overcome this gridlock, but the smaller parties have resisted even modest proposals to increase the threshold of votes required before a party can enter the legislature, and there is little hope of meaningful change before the 2014 legislative elections.

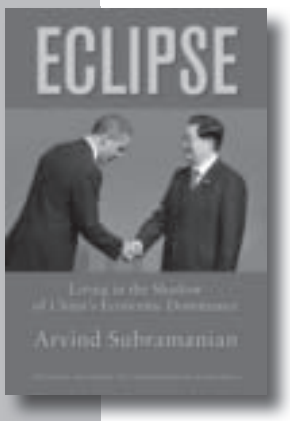
Meanwhile, the Constitutional Court recently lowered the number of votes required to initiate a presidential impeachment process from three-fourths of the legislature to two-thirds. This means that the Democrat Party's 26 percent plurality can no longer protect Yudhoyono from attempts to oust him. The court's ruling seems to have exacerbated his indecisiveness—unsurprising given that Indonesia's first elected president after Suharto, Abdurrahman Wahid, was impeached. Yudhoyono's failure to reshuffle his cabinet, despite making repeated threats to remove nonperforming ministers, has exemplified his paralysis.

As a result, the president is increasingly captive to politicians at odds with his stated reform programs, and Indonesia's competent core of technocrats in government has less room to advance meaningful change. At best, this could portend stasis for the remaining three years of Yudhoyono's term. At worst, Indonesia could see its hard-won gains evaporate. In June, for example, the legislature rolled back key powers of the Constitutional Court—the only court seen as being beyond the reach of corrupt politicians. The legislature is similarly poised to strip the KPK of important authorities.

After decades of authoritarian rule, Indonesians have been reluctant to allow power to concentrate in the hands of any one person or institution. In fact, most of Indonesia's reforms after 1998 were explicitly designed to decentralize power. But the pendulum has swung too far, producing a system with real structural impediments to coherent policy implementation. As Indonesia moves further away from its authoritarian past, reformers need to recalibrate the balance

of power. The legislature needs fewer political parties; independent institutions, such as the Constitutional Court and the KPK, need more power; and constitutional reform may be needed to raise the threshold for impeachment of the president. Generational change will hopefully be part of this process. The current political and economic elites are largely a product of the Suharto period. The 2014 electoral cycle might offer an opportunity for new leaders to come to the fore.

As the political restructuring of the Middle East tests whether Islam and democracy can coexist, as pluralism and religious tolerance come under attack in countries from Africa to Europe, and as China's economic rise without political liberalization challenges the Western democratic model, Indonesia's continued success as an open, moderate, tolerant, multiethnic, multireligious democracy with a booming economy is of huge importance as a model for the developing world. Indonesia deserves plaudits for its progress to date, but some gains are under threat, and its continued success requires a new wave of reform. Indonesians proved they were capable of extraordinary things at the turn of this century. Once this fall's summit meetings are over, it will be time for Indonesia's reformers to get back to work.

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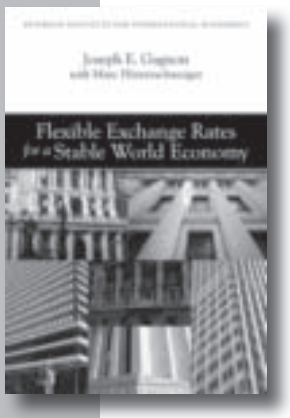


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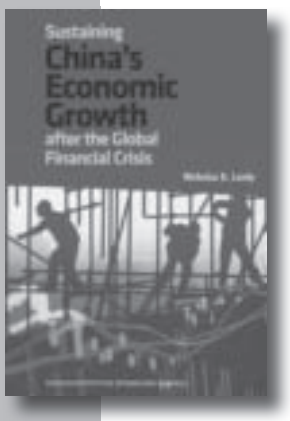


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# The Sick Man of Asia

## China's Health Crisis

*Yanzhong Huang*

Although China has made remarkable economic progress over the past few decades, its citizens' health has not improved as much. Since 1980, the country has achieved an average economic growth rate of ten percent and lifted 400–500 million people out of poverty. Yet Chinese official data suggest that average life expectancy in China rose by only about five years between 1981 and 2009, from roughly 68 years to 73 years. (It had increased by almost 33 years between 1949 and 1980.) In countries that had similar life expectancy levels in 1981 but had slower economic growth thereafter—Colombia, Malaysia, Mexico, and South Korea, for example—by 2009 life expectancy had increased by 7–14 years. According to the World Bank, even in Australia, Hong Kong, Japan, and Singapore, which had much higher life expectancy figures than China in 1981, those figures rose by 7–10 years during the same period.

A look at China's disease burden also reveals a worrisome picture. Like many less developed countries, China still battles a legion of microbial and viral threats, including HIV/AIDS, tuberculosis, viral hepatitis, and rabies. For instance, more than 130 million people in China have the hepatitis B virus—accounting for about one-third of all HBV carriers in the world. Meanwhile, chronic noncommunicable diseases, which are typical of developed countries, are becoming an

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even more intractable problem. According to the 2008 National Health Services Survey, conducted by China's Ministry of Health, 61 percent of respondents who said that they had been sick within the previous two weeks had chronic diseases, compared with 39 percent ten years earlier. A 2010 study by *The New England Journal of Medicine* suggests that China has the largest population of diabetics in the world and that the disease is spreading at a faster rate there than in Europe and the United States. Nearly ten percent of adults aged 20 or more in China now have diabetes—close to the rate in the United States (11 percent) and far higher than those in Canada, Germany, and other Western countries. Noncommunicable diseases, including cardiovascular disease, chronic respiratory diseases, and cancer, account for 85 percent of total deaths in China today—much higher than the average worldwide, which is 60 percent. One major contributing factor is the rapid aging of the population. The 2010 census showed that the proportion of people in China aged 60 or more had grown to over 13 percent, up by almost three percentage points since 2000. According to a recent World Bank report, if effective measures are not adopted to promote healthy aging, the burden of noncommunicable diseases in China could increase by at least 40 percent by 2030. It is forecast, for example, that by 2040 there will be more people with Alzheimer's disease in China than in all the developed countries combined.

More Chinese are suffering from mental illness. Data from the Ministry of Health suggest that the incidence of mental disorders climbed by more than 50 percent between 2003 and 2008. A major national survey conducted between 2001 and 2005 partly by the Beijing Suicide Research and Prevention Center at Beijing Huilongguan Hospital and based on interviews with 113 million Chinese throughout four provinces found that 17.5 percent of the population, or more than 227 million Chinese, suffered from some form of mental problem, such as mood and anxiety disorders. This is one of the highest such rates in the world. An estimated 287,000 people kill themselves in China each year; at 23 per 100,000, this, too, is one of the highest such rates worldwide and more than twice the suicide rate in the United States.

Despite the seriousness of these issues, in their single-minded pursuit of economic growth, China's leaders have long overlooked public health. After the Maoist health-care system began to collapse in the

early 1980s, government spending on health as a share of GDP declined, from about 1.1 percent in 1980 to about 0.8 percent in 2002. (In 2002, U.S. government spending on health accounted for 6.7 percent of GDP.) The introduction of market-oriented reforms in the 1980s further hurt an already debilitated health-care system: by 2003, more than 70 percent of China's population had no health insurance at all. There have been some reforms since, but China's disease burden continues to grow—threatening the country's health-care system, the economy at large, and even the stability of the regime.

## TRUE LIES

THROUGHOUT MUCH of China's history, health care was seen as an individual responsibility, not a right. The attempts by Mao's regime to build a system of state-sponsored health care thus marked an important departure from the historical norm. The early 1950s saw the establishment of health insurance plans for government officials and state workers and the construction of state-owned hospitals and clinics at the county and district levels. With the Great Leap Forward, which began in 1958, the state found another reason to get involved in the health-care sector. In exchange for free and accessible health care, peasants would support agricultural collectivization and the spread of people's communes—which, in turn, would serve as the institutional and financial foundations for the new health-care regime. By 1959, China had built a three-tiered health-care system in rural areas consisting of county hospitals, commune health-care centers, and village (so-called brigade) clinics. This system delivered not only medical treatment but also preventive care, which played a critical role in implementing the government's strategy to prevent infectious diseases.

After the launch of the Cultural Revolution in 1966 and the mass purge of senior health officials that followed, the Ministry of Health was marginalized from the policy process. With less bureaucratic obstruction, policy became better coordinated. An unprecedented number of health personnel were sent to the countryside. Some farmers were given informal medical training, and these "barefoot doctors" would then treat common illnesses and promote preventive

health care. So-called cooperative medical care (a community-based health insurance scheme) spread rapidly. By 1976, there were 1.8 million barefoot doctors; more than 90 percent of the brigades, or villages, were covered by cooperative medical care; and almost every commune had a health-care center. China had more doctors, nurses, and hospital beds than virtually any other country at its level of economic development. The health of the Chinese people improved remarkably: the mortality rate dropped from 20 per 1,000 in 1949 to about 7 per 1,000 in 1975. According to both official Chinese figures and international sources, average life expectancy increased from 35 years to 65 years during the same period.

In 1976, under Mao, China had more doctors, nurses, and hospital beds than virtually any other country at its level of development.

Mao's death and the ensuing economic reform dramatically changed this landscape. The demise of people's communes and the return to household farming in the early 1980s eliminated communal welfare funds, which had been the main source of financing for the Maoist rural health-care system. In 1978, 82 percent of all brigades were tasked with implementing cooperative medical care; by 1983, the figure had fallen to 11 percent. The number of barefoot doctors dropped by about 23 percent during that time. The rural economic reform increased the disposable income of peasants, who could now afford to bypass the village health-care stations or township health-care centers and seek medical care at urban hospitals. This development both undermined the three-tiered referral chain in the countryside and generated strong demand for more and better health care in cities. The system's urban bias had returned.

The rehabilitation of bureaucratic leaders who had been purged during the Cultural Revolution brought demands that selected social groups, particularly government officials, receive more attention in health care. This led to the reemergence in the 1980s of a coalition that Mao had sought to break up in the mid-1960s: city administrators, health bureaucrats, and urban residents with a common interest in qualified urban health care. Thus, when health-care institutions

NICKY LOH / REUTERS

*An earthquake survivor waiting for treatment in Mianzhu, Sichuan Province, May 21, 2008*

in the countryside started falling apart, rather than take corrective action, the leaders of the Ministry of Health publicly called for their demise and promoted a policy of modernization to be implemented mostly in the cities. By 2004, nearly 80 percent of government health spending was going to urban health-care institutions, even though city dwellers represented only 42 percent of the country's population.

This transition was compounded by a shift in the government's agenda regarding economic development. Public health was relegated to the back burner. Using economic development as the new

yardstick of performance, local government officials pursued growth at the expense of public health. As a result, communicable diseases that had been all but eradicated during the Mao era reemerged and spread quickly in the 1980s. The government retreated even further from providing health-care services with the 1994 tax reform, which allowed it to recentralize fiscal power but further decentralize fiscal responsibilities. Government spending as a percentage of total health expenditures dropped precipitously—from 39 percent in 1986 to 16 percent in 2002—leaving individual Chinese to pick up the slack. Local governments had to shoulder almost all state subsidies to health-care institutions: more than 97 percent between 1991 and 2007, according to publications from the Ministry of Finance and the National Bureau of Statistics of China. Moreover, only a small percentage of the government's health funding was spent on the general public: as Yin Dakui, a former vice minister of health, revealed in 2006, 80 percent of China's health budget was spent on just 8.5 million government officials.

Dwindling government support, in conjunction with market-oriented economic reform, also changed the behavior of health-care providers. They became revenue-making machines. Public hospitals began aggressively selling drugs and providing extra, often high-tech services in order to recoup losses caused by shrinking government support and fuel growth in revenues. Overall health expenditures increased exponentially. And this occurred at a time when there was virtually no social safety net: the 1998 National Health Services Survey found that more than 87 percent of the rural population and more than 44 percent of urban residents had no health insurance of any kind. The growing costs had to be covered by out-of-pocket payments. By 1999, the private share of health-care spending exceeded 59 percent. In some cases, rising costs deterred the sick from seeing doctors. In 2004, the vice minister of health, Zhu Qingsheng, said that 60–80 percent of farmers who were seriously ill died at home because they could not afford care. Just a generation after Mao's death, a 2000 World Health Organization report assessing health-care systems worldwide ranked China 144 out of 191 countries—even though by then, China was already the sixth-largest economy in the world.

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## A SICKLY, SLEEPING GIANT

The 2003 SARS debacle jolted the Chinese government, highlighting the importance of balancing economic development and social services. Within nine months of the virus' appearance, a total of 8,422 cases and 916 deaths had been reported worldwide; in China alone (excluding Hong Kong and Macao), the outbreak had infected more than 5,327 people and killed 349. The government's initial mismanagement of the crisis—including a clampdown on information and a period of inaction—spawned anxieties and rumors across the country. It was the most severe social-political challenge the Chinese leaders had faced since the 1989 Tiananmen crackdown.

In the wake of the crisis, the government invested tremendously in its capacity to tackle public health emergencies. By 2008, it had built a multilevel disease-surveillance and disease-reporting system, allowing hospitals (including township health-care centers) to directly report suspected outbreaks to the Chinese Center for Disease Control and Prevention. It had also launched a new rural cooperative medical-care program under which participants would receive partial reimbursement for their medical expenses in exchange for a small annual fee (about $1.50 in 2003). A new round of reforms was formally kicked off in 2006 with a view toward providing, as President Hu Jintao put it, "safe, effective, convenient, and affordable" health-care services to everyone in China. In January 2009, China unveiled a three-year plan to pump at least $123 billion into the health-care sector by the end of 2011. (The figure was later increased to $173 billion.) Thanks to this revved-up state commitment, government spending as a percentage of total health-care spending increased from almost 16 percent in 2002 to almost 24 percent in 2010. By the end of last year, more than 94 percent of the population reportedly had some kind of health insurance, according to government figures. During 2009–10, the central government also invested billions of dollars in strengthening rural and community-level health-care institutions by building infrastructure, buying equipment, and training personnel.

Yet major problems remain. Some issues, such as mental illness, have yet to figure high on the government's reform agenda. Of the more than 26 million Chinese who suffer from depression, just ten percent

receive any medical treatment. (There are only 20,000 psychiatrists in China, or 1.5 for every 100,000 people—one-tenth the ratio in the United States.) And there are discrepancies in financing. The central government shoulders only about 30 percent of all public health funding. Local governments are supposed to finance the rest, but they are so preoccupied with GDP growth that they have few incentives to spend much on health care. The government's proposed plan for universal coverage also fails to address the huge gap in access to health care between rural and urban areas. According to a government formula based on per capita incomes, in 2010 an urban employee in the formal sector might have been reimbursed for inpatient services up to six times as much as a farmer.

The economic cost of disease in China in 2005 was about 13 percent of GDP.

Major urban hospitals are continuing to expand rapidly, and their growing demand for personnel is causing a brain drain from lower-level hospitals and hospitals in the countryside. The resulting shortage of qualified health-care personnel at those lower-level and rural hospitals is undermining the government's efforts to upgrade rural and community-level health-care institutions. Thus far, the government has made no serious effort to reform the administration of public hospitals, which account for nearly 70 percent of all hospitals in China. Instead of separating ownership and operations, officials at the Ministry of Health and their counterparts at the subnational level are at once the rule-makers, the regulators, and the general managers of all the public hospitals. This not only allows the government to meddle in the operation of hospitals but also makes it difficult for officials to play their role as independent and authoritative regulators of the health-care sector. Inefficiency and corruption result. As public service institutions, these hospitals receive fiscal allotments, and their staffs enjoy near-permanent employment. But in the absence of full government funding, what are officially not-for-profit hospitals become profit-seeking monsters shielded by the government's administrative power. Without adequate regulatory oversight, the hospitals' revenue-making motives drive up total health-care costs.

This in part explains why even though the rate of health-care coverage is now high, the level of benefits is still very low. In 2010, the government gave just 120 yuan (less than $19) to every person covered by the new rural cooperative medical-care program, a subsidy that totaled only 8.6 percent of total health-care expenditures per capita. This means that at least 836 million rural residents who were officially covered by the plan still had to pay the lion's share of their medical bills. For example, even a farmer in one of the country's richest areas, near Shanghai, has to pay around 12,000 yuan (about $1,900) for stomach-cancer surgery—the equivalent of the annual per capita net income in the region.

Equally important, China has failed to effectively address some significant risk factors, such as smoking, environmental degradation, unsafe drugs, and tainted food. China signed the World Health Organization's Framework Convention on Tobacco Control in 2003, pledging to ban smoking in workplaces and indoor public spaces by January 9, 2011. But the deadline passed without any major change. More than 300 million people in China—equivalent to approximately the entire U.S. population—smoke today. Another 740 million are regularly exposed to second-hand smoke (including 180 million under the age of 15), an increase of 200 million over the past five years. Meanwhile, China's cigarette production rose by 17 percent over the same period. Experts believe that China's anti-tobacco policies are among the least effective in the world. Although the Ministry of Health banned smoking in indoor public places (excluding workplaces) in March, the ban has largely been disregarded. As noted by a recent report co-authored by Yang Gonghuan, deputy director general of the Chinese Center for Disease Control and Prevention, the fundamental reason that China has failed to honor its international obligations is that representatives of China's tobacco industry, a pillar of many provinces' economies, have interfered with the drafting and enforcement of tobacco-control policies.

Pollution and other environmental problems, still marginal issues on the government's health-care agenda, are harming people's health as well. A study conducted in 2007 by the World Bank and the Chinese State Environmental Protection Administration (the predecessor of the Ministry of Environmental Protection) found that 750,000 Chinese

people die prematurely every year, mainly because of air pollution in large cities. Using 2006 air-quality data, a report by the Hong Kong–based think tank Civic Exchange estimates that close to 10,000 deaths annually can be attributed to air pollution in the highly industrialized Pearl River Delta, Hong Kong, and Macao, with some 94 percent of those deaths occurring in the Pearl River Delta alone. According to a Ministry of Health report, the operations of 16 million companies and factories in China are poisonous or hazardous, and about 200 million workers are directly exposed to occupational hazards. Because of industrial pollution, especially water contamination in the countryside, China now counts 459 so-called cancer villages, villages with an unusually high number of cancer patients. Environmental pollution is also believed to have significantly increased the infertility rate for all couples of childbearing age, from three percent in 1990 to 12.5–15.0 percent today. According to a 2009 epidemiological study by the nongovernmental organizations China Women and Children Development Center and the Population Association of China, more than 40 million couples in mainland China may now be infertile.

Food- and drug-safety problems are ubiquitous. Since 2006, China has been hit by a slew of scandals involving substandard foods and drugs—tainted milk, duck eggs, infant formula, and vaccines. According to a series of public opinion surveys published in 2009, respondents ranked corruption, health-care reform, and food and drug safety as their top three concerns. Although the government has passed some measures to tighten regulations on product safety over the past few years, a string of scandals—over steamed buns dyed with dangerous chemicals, watermelons contaminated with growth accelerators, and pork products tainted with clenbuterol (a steroid used to keep pigs lean)—has renewed fears recently. Inadequate government oversight certainly is still to blame, but shoddy business ethics is a much bigger problem.

To a visitor who had just returned from China in 1816, Napoleon allegedly said, "China is a sickly, sleeping giant. But when she awakens the world will tremble." The metaphor was echoed a century later when, riven by internal divisions, China had become a pushover to Western powers and was known as the "sick man of East Asia." Like

the "sick man of Europe," a reference to the weakening Ottoman Empire, the phrase touched a raw nerve among Chinese nationalists at the time, and the Chinese Communist Party used it to justify its revolution and radical social engineering. Today, China is proving itself worthy of the title once again.

## WEAKNESS IN GREAT ONES

CAN A RICH state with a weak people really be a great power? China's mounting public health challenges do not bode well for sustainable development in the country. An official report predicts that between 2000 and 2025, the number of patients in China will increase by nearly 70 percent, hospitalizations by more than 43 percent, annual outpatient visits by more than 37 percent, and overall medical spending by more than 50 percent. (The population itself is expected to increase by only 15 percent during the same period.) Poor health has already become a major hurdle to further bringing down poverty, and it could even jeopardize the country's achievements to date. A 2004 survey conducted by the Development Research Center of the State Council found that disease and injury were the leading cause of poverty in rural areas: almost 41 percent of the farmers below the poverty line (defined by the government as annual earnings of 860 yuan, or $106 at the time) reported having fallen below it after they became sick or injured.

Disease is taking a heavy toll on economic activity. For instance, Chinese health economists have estimated that in 2003, the medical costs of treating clot-induced strokes alone accounted for more than three percent of total health-care expenditures. And according to research conducted by Peking University's China Center for Economic Research, the total economic cost of smoking in 2005 amounted to nearly 300 billion yuan (about $37 billion)—far more, incidentally, than the 240 billion yuan (nearly $30 billion) in fiscal revenue drawn from the tobacco industry. A 2011 report by some of China's leading economists and public health experts estimates that in 2005, disease cost more than five billion working days and 2.4 trillion yuan ($296 billion) in lost economic activity—about 13 percent of China's GDP.

More generally, in the absence of a well-developed safety net, poor health also suppresses domestic demand. When people have to worry about expensive medical bills, they are less likely to spend money on other things. Between the mid-1990s and 2006, more than 50 percent of total health-care spending was out-of-pocket payments by patients, making medical expenses one of the consumption items that most worry ordinary Chinese. Between 1990 and 2008, health-care spending as a share of consumption expenditure increased from 2 percent to 7 percent for urban residents and from 5 percent to 6.7 percent for rural residents. If consumer demand continues to be depressed this way, China's economic development is unlikely to be sustainable.

The burden of infectious diseases also threatens China's future economic development. Ten years ago, Nicholas Eberstadt, a researcher at the American Enterprise Institute, developed a model suggesting that even a mild HIV/AIDS epidemic, with a peak HIV prevalence rate of 1.5 percent, would shave more than half of one percentage point a year off China's economic growth rate over the following 25 years. And HIV/AIDS is an epidemic of attrition, whereas an outbreak of an acute infectious disease could derail China's economy in a very short period of time. As demonstrated by the 2003 SARS epidemic, a major disease outbreak could seriously disrupt the service industry—which makes up more than 40 percent of the Chinese economy—causing retail sales to plunge, entertainment venues to close, and tourism to plummet. As other countries closed the door on China, China's foreign trade and other business activities could fall. (During the SARS epidemic, 110 of the 164 countries with which China had diplomatic relations placed at least some restrictions on travel to and from China.) If such an outbreak disrupted production lines in manufacturing industries, multinational corporations would be forced to reconsider their business strategies with regard to China. The increased risk of doing business there could reduce foreign investment and exports, thus hurting the country's manufacturing sector, which accounts for nearly half the country's GDP. In the wake of the SARS crisis, Beijing did become somewhat more transparent and more cooperative with other countries, but as the H1N1 crisis of 2009 showed,

Beijing still misreports or covers up facts, and those habits would only worsen the negative reactions of other states in the event of an outbreak.

Especially in rapidly changing societies, such as China, poor health can fuel social agitation. Hardships brought on by economic change are breeding frustration in China, and there are no adequate institutional mechanisms for addressing private grievances. The high costs and inaccessibility of health care lead to frequent disputes between patients and health-care providers, and these could easily devolve into violence. More than 73 percent of China's hospitals reported violent conflicts between patients and health-care workers in 2005, and close to 77 percent of them reported instances in which patients refused to be discharged after treatment or to pay hospital charges. In 2010, Shenyang, the capital city of Liaoning Province, in northeastern China, sought to hire police officers to handle conflicts between patients and health-care providers at the city's 23 major hospitals.

In other words, public health problems have important implications for political stability. Since political legitimacy in China is performance-based, poor health indirectly hurts the regime's standing by jeopardizing the country's economic growth. The state cannot wash its hands of public health issues without running the risk of breaking its implicit contract with society. On the other hand, if it seems incapable of providing adequate services, more citizens might feel marginalized. Even if these people remain loyal to the government, they will have less reason to cooperate with it when it comes to taxes, land development, or population control. With the burden of disease also exacerbating poverty and other stress factors, desperate people might be emboldened to take collective action against the state. As Charles Tilly, Theda Skocpol, and other sociologists and political scientists have pointed out, the sudden withdrawal of government services or a government's failure to deliver collective goods can spur revolts.

The Chinese government could avoid these dangers by allowing underserved people to form independent organizations to fight for their health interests. This has happened, for example, in rural communities in southeastern India. But China's closed political system

offers few institutional channels for disadvantaged groups to express grievances, and such obstacles could cause many Chinese people to eventually turn their backs on the government. In the 1990s, when the national health-care system was inaccessible to or too expensive for many Chinese, millions turned to Falun Gong, a spiritual movement that includes a form of traditional Chinese exercises said to marshal supernatural forces to achieve good health. By 1998, there were as many as 70 million Falun Gong members in China. And in April 1999, some 10,000 of them gathered at the residential compound of the country's leaders in silent protest, triggering a nationwide crackdown on the movement.

## HU'S YOUR DADDY?

In essence, China's health crisis is a governance crisis. The Chinese state is failing the governance test in the health-care sector in terms of incentives, capacity, and effectiveness. In such a hierarchical, authoritarian system, government officials are accountable to their superiors, not the general public. Any provision of public goods and services results not from an institutionalized negotiation between the government and the governed but from a unilateral grant by the government: it treats health care more like a charity than an entitlement. And with the legitimacy of the government, both national and local, hinging on the delivery of steady economic growth, Chinese officials, especially local ones, have little interest in promoting health care. Their lack of action is reinforced by multiple interest groups. The tobacco industry is resisting stricter controls, for example, and health-care providers and government health departments have sometimes colluded to hijack the reform of public hospitals.

Another problem is the lack of bureaucratic capacity when it comes to health policy. In addition to an ill-defined fiscal system, which has crippled the government's ability to fund public services, policymakers in China cannot effectively monitor the behavior of policy implementers. In democracies, there are citizen groups to keep misbehavior by officials in check. But as long as China refuses to enfranchise the general public to monitor administrative measures,

upper-level bureaucratic actors will continue to be foiled in their efforts by their subordinates. This problem is of particular concern in the health-care sector because the Ministry of Health is one of the weakest bureaucratic actors in China. Its budget is determined by the Ministry of Finance and the powerful National Development and Reform Commission. Since health care is often treated as a resource-dependent, nonproductive sector, in order to get things done, the Ministry of Health must negotiate with other central bureaucracies or call on superiors to intervene in cross-sector bargaining. The ministry nominally occupies the same rank as provincial governments, but the power to manage provincial public health bureaucrats lies with those governments. As a result, it is the horizontal coordinating bodies at various administrative levels—province, city, and county—that have the final say in designing and implementing local health policies.

That said, the central government's capacity can be beefed up when needed, especially in times of crisis. During the SARS epidemic, for example, it took less than a week for the Chinese government to build a state-of-the-art hospital with the capacity for 1,200 patients. But because Beijing has not seriously taken into account the people's needs, wants, and interests, strong state capacity has not yet translated into greater effectiveness. Beijing was quick to mobilize resources during the 2009 H1N1 pandemic, but it also resorted to draconian policies—such as large-scale quarantines and other strict containment measures—that failed to stop the rapid spread of the H1N1 virus across China and squandered funds that could have been spent to fight more serious diseases. The Chinese government has acknowledged the role that civil society can play in preventing diseases and managing health care, especially in raising awareness about health-related issues, providing needed services to affected individuals and families, and promoting the human rights of sick people. But it continues to harass and prosecute human rights lawyers and the leaders of nongovernmental organizations. Two of China's best-known anti-AIDS crusaders, Wan Yanhai and Gao Yaojie, fled the country last year after government harassment intensified. China's health-promoting nongovernmental organizations remain small and

In essence, China's health crisis is a governance crisis.

weak, partly because competition over limited resources has led to infighting, which in turn has given the government an opportunity to further manipulate or suppress them.

Nevertheless, the government may still be able to undertake certain politically acceptable measures to prevent the current health crisis from spiraling into a political one. For one thing, it should immediately try to address China's huge disease burden. To that end, the government should adopt a more proactive approach to preventing and controlling noncommunicable chronic diseases, including mental illnesses. Given that population aging exacerbates the burden of chronic diseases, China should abandon its notorious one-child policy, especially in cities. Doing so would help maintain China's future competitiveness by lowering the ratio of people of retirement age to people of working age, and given the country's already low total fertility rate—around 1.3, far below the replacement level—the shift in policy would not cause the population boom that Chinese policymakers have long tried to avoid.

The government should also take measures to limit risk factors, including tobacco use, lack of physical activity, alcoholism, and unhealthy diets. Health experts widely consider interventions in these areas to be cost-effective, "best buy" solutions. A recent study published by *The Lancet* found that the accelerated implementation of the World Health Organization's Framework Convention on Tobacco Control in China—through tax increases, product labeling, advertising bans, and smoking restrictions—would cost only 14 cents per person per year and bring major benefits. Greater regulation of the tobacco industry alone would have great spillover effects because smoking is a significant risk factor for a variety of chronic disorders, including respiratory diseases, lung cancer, and cardiovascular disease. Such oversight would require a sustained commitment to shielding policymakers and policy implementers from the influence of interest groups. The criteria used to promote local government officials should be redesigned. Instead of having their performance measured based on GDP, they should be evaluated according to their ability to exercise "police power" and enforce the public order for the betterment of the general welfare of the inhabitants in their jurisdictions. As a corollary, fiscal relations between the central and the local governments

should be restructured so that local governments, especially township and county governments, can have access to greater financial resources to promote health care locally.

It is also critical that the Chinese government strengthen the health-care system so that it can effectively deliver affordable health services and essential drugs to those who need them. By significantly increasing the coverage of various insurance programs, the government has already made great strides toward achieving its goal of providing universal access to primary health care by 2020. A recent positive sign is that the reimbursement cap for inpatient expenses was raised to at least 60 percent of an individual's medical bills. With the state's coffers growing and the government's increasingly populist approach to governance, the new leadership, to be anointed at the 18th Party Congress next year, is expected to push forward still further. Yet if the government does not stem the rise in the total costs of health care, even the people covered by insurance will struggle to afford care.

To make health care more accessible to and more affordable for the general public, the government has already made immense investments in government-run health-care institutions. But officials at health departments and public hospitals invoke the public nature of government-run health-care institutions to claim more open-ended government funding. This comes at a tremendous cost, both financial and social, and is unlikely to be sustainable in the long run. Worse, it does not help stop institutional collusion between the Ministry of Health (and its local counterparts) and public hospitals, the main factor behind ever-rising health-care costs. The guiding principle of any health-care reform should be to maximize the benefit to the public of health-care services. This would mean reorienting government funding from the supply side (hospitals) to the demand side (patients) in order to reduce out-of-pocket spending, especially for those who cannot afford quality health care.

Meanwhile, doctors' salaries should be raised to a level that would attract the country's best minds to the profession. Yet doctors' pay and benefits should not come from direct government compensation; they should be funded by independent third-party purchasers, such as HMO-type managed-care organizations. The restrictions

imposed by responsible third-party purchasers would give public hospitals an incentive to keep costs down and improve accountability. This will eventually require that China move away from its over-reliance on a fee-for-service payment method, which is often associated with escalating health-care costs. It will also require that public hospitals be given more autonomy to decide how to finance and deliver health-care services. Public hospitals should be allowed to reform their personnel management and organizational structures so that they no longer act as adjuncts of government health bureaus and instead become independent corporate actors. Meanwhile, Ministry of Health officials and their local counterparts should act only as rule-makers and regulators. Civil-society groups, ranging from health-promoting nongovernmental organizations to faith-based organizations, can play a constructive role in this process, too. They can help reduce the disease burden by collecting health data, disseminating health-related information, and reporting and monitoring outbreaks.

By no means would such measures solve the fundamental governance problems that cripple China's health-care system. But they would keep China's health crisis in check, bringing better and more affordable care to the Chinese people while keeping the Chinese Communist Party in power. Economists call such an outcome a Pareto improvement; game theorists, a win-win situation.

# Counterrevolution in Kiev

## Hope Fades for Ukraine

*Rajan Menon and Alexander J. Motyl*

Ukraine, no stranger to crisis, is again in turmoil. President Viktor Yanukovych has failed to deliver on any of his campaign promises—economic reform, increased prosperity, and an end to corruption—and instead has rolled back democracy and the rule of law, deepening political, regional, and linguistic divisions in the country. He has succeeded only in turning Ukraine against him and his government. Symptomatic of his government's incompetence and misrule is the trial for "abuse of power" of former Prime Minister Yulia Tymoshenko, the fiery democratic politician who almost beat him in the 2010 presidential election and remains his principal political competition. The charges against her are absurd, and the trial has only galvanized the opposition and discredited Ukraine just as it has sought to move toward the West by signing a free-trade agreement with the European Union.

The Yanukovych government has squandered the opportunity to rebuild a country that had lost its way in the last few years of the government of former President Viktor Yushchenko, who was elected following the 2004 Orange Revolution and led a coalition government with Tymoshenko. It has also backed itself into several dead ends with no easy way out. Although the growing talk in Ukraine about the government's downfall is most likely premature, Yanukovych and his ruling Party of Regions have certainly lost the support and confidence

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of most Ukrainians, who hold the government responsible for their poverty and alienation. Yanukovych's inability to govern effectively also risks alienating both the West and Russia, compounding his growing isolation at home with isolation abroad.

Unless Yanukovych reverses course and engages the democratic opposition while making dramatic political and economic reforms that would be painful to both his party and the people, Ukraine's crisis will only deepen and the country will become increasingly authoritarian, impoverished, polarized, and unstable. Such a scenario is of concern to the West, as Ukraine is a country of 46 million people situated in the strategically important space between the EU and Russia. Ukraine's instability could undermine the normalization of relations between the West and Russia, threaten Europe's ongoing efforts at economic stabilization, and encourage Moscow to consider some form of intervention, which would, almost inevitably, destabilize Russia itself—all of which has policymakers in Brussels and Washington increasingly nervous.

## EAST SIDE BOYS

SINCE YANUKOVYCH'S election in early 2010, his administration has distanced itself from the principles of the preceding Orange government, that of Yushchenko. First, Yanukovych replaced Yushchenko's moderately pro-Western foreign policy with a decidedly pro-Russian orientation. This was most clearly manifested in the April 2010 Kharkiv accords, which extended the Russian Black Sea Fleet's basing rights in the Crimea for 25 years in exchange for supposed reductions in the price of Russian gas and a $2 billion credit line. Even Ukrainian government officials admit in private that it was a bad deal: Ukraine still pays exceptionally high gas prices and failed to negotiate an adequate rent for the base, whereas Russia has succeeded in ensconcing itself for the long term in the intensely pro-Russian Crimean Peninsula. Next, Yanukovych jettisoned Yushchenko's democratic aspirations and made an unabashed turn to authoritarianism: he transformed Ukraine's parliament into a rubber-stamp institution controlled by the Party of Regions, subordinated the courts to his rule, and concentrated enormous power in his own hands. This turn to authoritarianism was codified in October 2010,

when the parliament approved a constitution that enshrined presidential dominance. Finally, Yanukovych reversed Yushchenko's pro-Ukrainian cultural initiatives by appointing the notoriously anti-Ukrainian official Dmytro Tabachnyk as minister of education and science and permitting him to roll back a variety of state-funded programs aimed at fostering Ukrainian language and culture.

Taken together, these elements of the Yanukovych system immediately provoked outrage within significant segments of the Ukrainian public, especially the pro-democratic, Ukrainian-speaking electorate based largely in central and western Ukraine. This same constituency also criticized Yanukovych for failing to unify the country and correct Yushchenko's many mistakes, from not passing economic reform to neglecting to tackle entrenched corruption and administrative incompetence. Indeed, Yanukovich's most striking achievement has been to unite much of the country against him.

Yanukovych's policies are not surprising given his origins and political base. He comes from a Sovietized, working-class background in Ukraine's industrial heartland, the Donbas, where fisticuffs and obedience to authority were valued more than rational discourse and democratic deliberation. His supporters are overwhelmingly based in the pro-Russian and Russian-speaking east and south. The Party of Regions is a collection of ex-Soviet functionaries who have amassed wealth through corruption and have scant understanding of democracy and even less appreciation of Ukrainian identity.

These drawbacks have been compounded by two additional flaws of Yanukovych's administration. First, Yanukovych and his ministers—most of whom also hail from the Donbas—were previously provincial leaders and so have little experience running a state. Their insularity, inexperience, and Soviet-style hauteur have produced an unprofessional and incompetent style of rule that has ultimately threatened their own power. One example is the messy implementation of a new and flawed tax code. In 2010, reformers in the Yanukovych administration spent months working on a new code that no one else, including the Yanukovych-dominated parliament, liked. By that summer, protests organized by owners of small and medium-sized businesses were mounting throughout the country, with the entrepreneurs claiming that the code would put them out of business. In November 2010, up

to 20,000 of these businesspeople staged a two-week rally in Kiev's Independence Square, the site of the Orange Revolution. Eventually, a delegation of protesters was invited to meet with the administration. When the group asked one of Yanukovych's advisers what the president thought about the code, they were told that he had not read it. Soon thereafter, the protesters were evicted from the square, and Yanukovych introduced some perfunctory changes to the code—which is still unpopular and, as predicted, has led to the closure of many small and medium-sized businesses.

Another example of the administration's incompetence was the ham-handed decision to try Tymoshenko for abuse of power. The trial is widely seen in Ukraine as politically motivated and designed to prevent her from running for president in the 2015 election. The irony of this blunder is that it was unnecessary; the best way to deal with Tymoshenko would have been to leave her alone. Her popularity had tumbled since the 2010 election, and few Ukrainian democrats consider her a viable leader of the country's liberal camp. By placing Tymoshenko on trial, the Yanukovych administration has achieved precisely the opposite of what it wanted. Not only has the move increased Tymoshenko's stature, but it has given the formerly divided Ukrainian opposition a common cause to rally around (several opposition parties formed the Committee of Resistance to Dictatorship) and earned the Yanukovych government fresh criticism from abroad, even from Russia, its ostensible patron. In August, Russia's Ministry of Foreign Affairs called for the trial to be "fair and impartial" and to observe "elementary humanitarian norms and rules." (It should be noted that Moscow's concerns were motivated not by a sudden appreciation for human rights but by the fear that the trial could serve as a pretext for Kiev to revoke Tymoshenko's 2009 gas agreement with Moscow, which has proved advantageous to the Kremlin because it links the already high base-line price Ukraine pays for Russian gas to world oil prices, which shot up after the deal was signed.)

The Yanukovych administration has become trapped by its own policies.

The Yanukovych administration's second major flaw is that its reliance on the Party of Regions negates the possibility of badly needed economic reforms. Although Yanukovych promised in the run-up to


GLEB GARANICH / REUTERS

*At a rally for former Prime Minister Yulia Tymoshenko in Kiev, August 24, 2011*

the election to modernize the country's economy and propel it into the ranks of the world's 20 richest nations, he, like the Orange government of Yushchenko and Tymoshenko, has accomplished virtually nothing; meanwhile, poverty and inflation in Ukraine have increased. But whereas the Orange leaders failed largely due to their personal animosities and the constant obstructionism of the Party of Regions, Yanukovych's inability to refashion the economy is rooted in the fact that his ministers and advisers have no understanding of a market economy, having spent most of their professional lives in the Donbas, where entrenched communist rule was replaced with entrenched oligarchic rule.

More important, genuine market-oriented change directly contravenes the interests of the Party of Regions, which thrives on its ability to control investment and finance, expropriate surpluses, and distribute economic resources as patronage. Unsurprisingly, its leading cadres resist whatever changes are pushed by the small band of isolated and generally ineffectual reform-minded economists and entrepreneurs in Yanukovych's inner circle. Most Ukrainians are fed up with the Party of Regions' ostentatious wealth and growing abuse of office, especially in the provinces, where local kingpins behave like pashas. Yanukovych

has further added to the popular anger by living in a huge estate outside Kiev and owning a house worth an estimated $10 million.

By now, no one in Ukraine believes Yanukovych's promises to turn around the country's economy and spread prosperity. The situation in the country's easternmost province, Luhansk, is especially alarming for Yanukovych. Like Donetsk, its neighboring province to the south, Luhansk represents Yanukovych's base—but support for the Party of Regions there has crashed. According to an April 2011 study conducted by Voldymyr Dahl East Ukrainian National University, although more than 53 percent of Luhansk's inhabitants would have voted for Yanukovych's party in November 2009—and Yanukovych received 89 percent of the Luhansk vote in the 2010 presidential election—only 30 percent would do so today. (A study conducted by the Luhansk-based polling organization the Sociolab Group puts this number at 26 percent.) The reason for the decline is clear: other surveys show that the province's inhabitants are most worried about decreasing living standards, inflation, and unchecked corruption. Unsurprisingly, Yanukovych's approval rating in national opinion polls conducted by the Kiev-based think tank the Razumkov Center has plunged: 41 percent responded that they "fully supported" him in April 2010 and only 11 percent did so in May 2011. Support for the Party of Regions fell from 39 percent to 16.5 percent over the same period. According to another poll by the Razumkov Center, those Ukrainians who believed the country was going in the wrong direction rose from 34 percent in April 2010 to 63 percent in May 2011.

Unsurprisingly, social unrest has increased; 43 percent of those responding to another Razumkov Center poll in April 2011 said that they were ready to join "legal protest actions" against inflation, 34 percent would do so to protest the nonpayment of wages, 22 percent would protest against the excesses of local authorities, and 15 percent would do so in support of human rights. Intellectuals, students, and Ukrainian-speaking democrats are already taking part in recurrent protests against the anti-Ukrainian policies of Tabachnyk and the growing authoritarianism and pro-Russian tilt of the rest of the Yanukovych administration. A self-styled "new left" has emerged, reminiscent of the student movements that rocked the United States and Western Europe in the 1960s, demanding the abolition of social inequality,

capitalism, and oligarchic rule. At the same time, a formerly insignificant Ukrainian right-wing nationalist movement has been galvanized by Tabachnyk's anti-Ukrainian policies and now talks of revolution and Russian imperialism. The activists of FEMEN, a women's group, draw attention to political corruption, social injustice, and gender inequality through theatrical demonstrations at which they frequently appear topless. Entrepreneurs and, increasingly, Russian-speaking workers in the eastern and southern provinces, rail against economic stagnation. In particular, the Tymoshenko trial and the 20th anniversary of Ukraine's independence on August 24 have served as focal points for public discontent and provided occasions for widespread street protests. In short, Ukraine is facing abundant unrest that could be mobilized in sudden and unexpected ways, particularly by the young population and through social media, both of which demonstrated their ability to take on a seemingly powerful regime during the Orange Revolution.

The Yanukovych administration has become trapped by its own policies. The triad of cultural anti-Ukrainianism, political authoritarianism, and a pro-Russian foreign policy has failed to offer an alluring alternative to the Yushchenko years. Worse, it has failed to invigorate the economy, unify the population, or offer hope, especially to the youth, that a better future awaits. Faced with a growing illegitimacy that reached crisis proportions in the middle of 2011, Yanukovych opted for what seemed like the easiest and least painful way of addressing his woes: tacking toward the West. But the shift has proved to be more difficult than he may have anticipated. To make it convincing, Yanukovych would have to pursue pro-Ukrainian cultural programs and pro-democratic political policies, which the Party of Regions loathes and which would almost certainly provoke opposition from Yanukovych's erstwhile ally, Russia.

## STUCK IN THE MIDDLE WITH YOU

THE CLEAREST manifestation of Yanukovych's interest in moving Ukraine closer to the West is a deal now under negotiation between Kiev and Brussels called the Deep and Comprehensive Free Trade Agreement. Ostensibly aimed at phasing out tariffs in EU-Ukrainian

trade, the accord, part of a larger proposed association agreement, actually goes much further: it requires the alignment of regulations on issues ranging from the environment and energy policy to intellectual property rights, as well as measures to advance democracy and good governance. It also envisages visa-free travel to EU countries for Ukrainians. Yanukovych's government seems, on balance, to be serious about the accord and to understand that to enjoy the benefits of free trade with the EU, Ukraine will have to implement the agreement's principles on democratic governance and market-oriented economic reform. It is telling that Yanukovych, despite pleas (and, some Ukrainian officials say, pressure) from Moscow, has chosen to join a free-trade zone with the EU rather than take part in the Russian-dominated Customs Union (CU), which also includes Belarus and Kazakhstan.

Ukrainian officials and their EU counterparts seem confident that the accord will be signed as scheduled by the end of 2011, despite Europe's economic crisis and growing wariness toward immigration. Yanukovych is desperate to score a victory and wants to use the free-trade agreement to compensate for his domestic failures and declining popularity and the growing instability at home. Making concrete progress toward joining the EU is among the few issues on which almost all Ukrainians agree. The EU, even with its current economic problems, promises prosperity, stability, and security—all things Ukraine lacks.

During their time in power, Yushchenko and Tymoshenko did their best to integrate Ukraine with western Europe, but due to the EU's reluctance to integrate with a large and poor country and to risk alienating Russia, it resisted, and Yushchenko and Tymoshenko's efforts ended in mutual resentment and recrimination. If Yanukovych, whose career has been built on pro-Russian sympathies, could accomplish what the Orange leadership failed to do, he would increase his stature at home and could claim that his administration is progressive after all.

The agreement would also boost Yanukovych's personal status, something he particularly prizes. A poor boy who made good, Yanukovych relishes rubbing shoulders with EU leaders. Likewise, although the free-trade zone would by no means guarantee membership in the EU, the prospect of being the president who laid the groundwork for such membership appeals to the vanity of a man who made his first official trip abroad as president to Brussels, not Moscow. By contrast,

given Russia's dominant role in the CU, joining that group would transform Yanukovych into a satrap of Russian Prime Minister Vladimir Putin, whom Yanukovych regards as the avatar of Russian arrogance. Yanukovych has good reason to be concerned. Once in office, he abandoned Yushchenko's animus toward Russia, giving Russia's Black Sea Fleet a long-term lease in the Crimea and announcing that Ukraine would not join NATO and would instead adopt a "non-bloc policy." Yet Russia has not rewarded his loyalty. Moscow continues to insist—just as it did in the Yushchenko years—on high gas prices, suggesting that it might lower them in exchange for control of Ukraine's gas pipeline network and the general right to treat Ukraine as a vassal state.

A full-blown crisis between Ukraine and Russia is not impossible to imagine.

Although Yanukovych does not view his turn toward western Europe as anti-Russian (quite the contrary, in fact: he says he is committed to maintaining a "strategic partnership" with Moscow), the Kremlin is suspicious of the proposed EU-Ukrainian accord and wants Kiev to join the CU instead. Some Ukrainian officials, including Yanukovych himself, have floated the idea of a "3 + 1" scheme, an unclearly thought-out notion that would somehow enable Ukraine to sign the agreement with the EU and also enjoy special status within the CU. Yet the Russians want Kiev to choose: either the EU or the CU. Nonetheless, Yanukovych has made it clear that he will not accept Moscow's ultimatum, and he appears determined to finalize the EU deal.

Russia would see such a choice as even more threatening than, for example, Georgia's flirtations with the West. Ukraine is the size of France and has an ethnic Russian population of 7–8 million, living mainly in the east and the south. It also has a centuries-old historical and cultural connection with Russia. Patriarch Kirill, head of the Russian Orthodox Church and titular head of the branch of the Ukrainian Orthodox Church that is subordinate to the Moscow Patriarchate, is the most frequent high-level visitor to Ukraine and dreams of a pan-Slavic community with Russia as its leader and Orthodox Christianity as its faith. It is hardly surprising that Moscow sees the free-trade deal not as a mundane commercial treaty but as an existential choice about where Ukraine's future lies.

Yanukovych's decision not to seek NATO membership has not soothed such qualms. Despite Yanukovych's talk of keeping Ukraine a "non-bloc" country, Kiev continues to take part in NATO exercises, allows NATO ships into the Black Sea, and participates in NATO peacekeeping operations and training missions in Afghanistan, Iraq, and Kosovo. As part of the association agreement, Ukraine plans to implement the EU's "third energy package," which, among other things, seeks to separate the ownership of energy supplies from the ownership of energy transportation systems. Russia would then be hard-pressed to acquire control of Ukraine's gas pipeline system, something that it has long sought, because that would require EU approval. Ukraine already conducts a third of its total trade with the EU, the same proportion as it does with Russia; Moscow fears its share will only decline should Ukraine move forward with its multifaceted integration with the EU.

Since 1992, Russia has declared, and indeed demonstrated, that it regards the territory of the former Soviet Union as pivotal for its prosperity and security. Accordingly, Moscow has sought to maintain its paramount position in the region by parrying threats to its interests. All this makes it unlikely that Russia will stand passively by as Ukraine proceeds with its free-trade pact with the EU. For starters, Russia has suggested that Ukraine's signing of the accord could affect the price Ukraine pays for Russian gas in the future and that Ukraine may be called on to settle its energy debt with Russia, quickly and in full. Russia might lobby individual EU states, such as France, Germany, and Italy (which have been more sensitive to Russian foreign policy concerns than other EU members), to delay, or even derail, the pact. Although Ukraine's sheer size makes a so-called Georgian scenario—in other words, the use of military force by Russia—nearly impossible to imagine, a full-blown crisis between Ukraine and Russia is not.

## THE SOCCER WAR

YANUKOVYCH WILL be able to deal with Russian pressure only by returning to the measured foreign policy pursued by every preceding Ukrainian president, including the pro-Western Yushchenko, since independence in 1991: balancing Russia with the West while pursuing good relations with both and aiming at long-term integration into the

global economy and with western Europe. But in order to reestablish productive relations with the United States and the EU, he will have to abandon the other two pillars of his system: authoritarian rule and an anti-Ukrainian cultural policy. The simplest way to accomplish that, and to win support among the electorate, would be to fire Tabachnyk, institute an evenhanded approach to both Ukrainian and Russian culture, forge a grand coalition with the democratic opposition, and pursue serious economic reforms. Yet such a course would in effect mean abandoning the Yanukovych system and relegating the Party of Regions to the status of a coalition partner. It would also mean that the state would no longer interfere with the country's media and hound its political opponents.

Although Yanukovych will resist making such concessions, the growing crisis in the country and the political dead end into which he has maneuvered himself may force him to do so—less for the sake of the country than for his own political survival. But he will have to move slowly given the resistance of the Party of the Regions. It will also be difficult, if not impossible, for Yanukovych to persuade western Europe of his democratic bona fides in light of the Tymoshenko trial. And it is unclear whether Yanukovych understands that Ukraine's free-trade pact with the EU is not a sure thing. For it to succeed, the Ukrainian government will have to meet an array of benchmarks, some of which would threaten the cronyism, corruption, and patronage that are essential to the present political order. Most important, a guilty verdict for Tymoshenko would make it difficult for Brussels to certify that Ukraine has demonstrated a commitment to democratic politics.

Even if Yanukovych arranges for Tymoshenko to receive a suspended sentence accompanied by an injunction that would prevent her from participating in political activity for a few years or pardons her after the court hands down a jail sentence, the negative publicity generated by the case will have taken its toll. Many in the West now doubt whether Yanukovych's government can be trusted to respect democratic principles. Already, these fears have led Ukrainian oppositionist democrats, European intellectuals, and prominent Western analysts to call on the EU to put the integration process on hold.

The EU and the United States should resist that temptation and instead persist with Ukraine's integration with the West. The free-trade

agreement with the EU is not, as critics insist, a reward for Yanukovych and his cronies; it is a means to promote significant change within Ukraine and thereby empower the Ukrainian people to resist authoritarianism and to assert their democratic and economic rights. In turn, as it pursues its "reset" with Russia, the United States would do well to remember that Russia is less likely to be stable and democratic if Ukraine becomes unstable and even more undemocratic.

As Yanukovych tries to have it both ways abroad—appealing to the EU while violating European values and maintaining good relations with Russia while rejecting the CU—time is running out for his administration at home. Continued authoritarianism, corruption, incompetence, unprofessionalism, and lack of reform outrage all Ukrainians, even those in his traditionally more docile base in the east and the south. The likely result will be official paralysis and growing social instability, and perhaps even a major explosion of public anger sometime next year.

Two events, both scheduled for mid- to late 2012, could serve as catalysts. The first is the 2012 UEFA tournament, which will be held next summer in Poland and Ukraine. Up to a million foreign soccer fans are expected to visit the Ukrainian cities of Donetsk, Kharkiv, Kiev, and Lviv. Ukraine's opposition will likely use the presence of so many foreigners to make their case to the West by mounting protests. It will not be easy for the Yanukovych government to resist its knee-jerk repressive impulses, yet with so much international attention on the country, it will have to do its best. Even if Kiev manages this feat, the real spark could occur a few months later: when parliamentary elections are held in October 2012. If the Party of Regions tries to manipulate the vote—and, with its popularity falling, this may be the only way it thinks it can hold on to power—Ukrainians could very well take to the streets. Should Ukrainians in the east and west of the country join forces, the resulting social upheaval could make the tumult of the Orange Revolution seem trivial.

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# Reviews & Responses

Authoritarian rulers who adopt some aspects of democracy while keeping power in their own hands are following in Bismarck's footsteps.

Review Essay

# The Leadership Secrets of Bismarck

## Imperial Germany and Competitive Authoritarianism

*Michael Bernhard*

*Bismarck: A Life*. BY JONATHAN STEINBERG. Oxford University Press, 2011, 592 pp. $34.95.

Over the last two decades, a distinctive regime type has emerged across the developing world, one that scholars have come to call competitive authoritarianism. This sort of political system allows for the contestation of power among different social groups, but with so many violations of electoral fairness and so little regard for liberal norms that it cannot be called a true democracy. From Russia to Peru, Cambodia to Cameroon, such regimes are now located in almost every region of the world, and how they develop will determine the shape of the twenty-first century.

One of the best ways to gain insight into the future paths of these political systems, ironically, is to look backward rather than forward, because the past can be prologue. Wilhelmine Germany is a particularly interesting point of comparison, because it had many similar characteristics. Like many of these regimes, it, too, experienced late, rapid growth and social transformation. It, too, developed a competitive form of politics that fell short of full-blown democracy. And potentially like some of today's emerging powers, Germany had a domestic political crisis that was capable of shaking the world.

The larger-than-life figure who presided over Germany's rise was Otto von Bismarck, foreign minister and minister-president of Prussia during the 1860s, architect of German unification in 1871, and chancellor of a unified German empire from 1871 to 1890. Given Bismarck's role in German history, a vast amount has already been written about him, so one might question what more there is to say. However, in

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*Bismarck: A Life*, Jonathan Steinberg, a respected historian with a long career at Cambridge University and the University of Pennsylvania, has produced a first-rate biography that combines a standard historical narrative with an intriguing account of Bismarck as a personality.

Incorporating reflections from the man himself, as well as from his friends, enemies, and coworkers, *Bismarck* offers a fresh and compelling portrait of a fascinating character. Steinberg shows how the German political climate Bismarck fostered—marked by deference to authoritarianism, an aversion to compromise, and reactionary antimodernism—contributed to the country's disastrous course in the decades after Bismarck's fall from power. And in doing so, he indirectly sheds light on the prospects of competitive authoritarian regimes in the contemporary era. The thing to keep an eye on, it turns out, is less the character of the classes rising from below than the willingness of elites at the top to loosen their grip on power.

#### BISMARCK'S POLITICAL GENIUS

Bismarck was born in 1815 to that stratum of Prussian nobility, the Junkers, that combined hardscrabble farming in the rye belt east of the Elbe River with an ethic of disciplined and often militarized service to the Hohenzollerns, Prussia's ruling family. He was educated, witty, and highly intelligent (although not an intellectual). Like many Junkers, his politics were reactionary; he was antidemocratic, antisocialist, anti-Catholic, and anti-Semitic.

Bismarck first rose to prominence during the revolutions of 1848, when nationalist and democratic uprisings challenged Europe's political status quo. As a new member of the Prussian legislature, he forcefully defended the monarchy's desire for unfettered executive power. Thanks in part to his maneuvering then and later, the dynasty survived the tumult and went on to rule for seven more decades—a period during which Prussia unified Germany around it and blossomed into an industrial and military powerhouse.

Germany's economic development was relatively late by European standards. Social scientists such as Alexander Gerschenkron and Barrington Moore have noted that its embrace of capitalist modernity and rise to power were predicated on a new pattern of authoritarian development—in Moore's words, a "revolution from above." This meant using industrial policy to push development in those sectors that enhanced state power and simultaneously suppressing or co-opting all political opposition. In order to catch up with the more advanced economies of the West, the government protected heavy industries essential to the nation's military strength, as well as Junker agriculture, with tariffs.

The transformation of a largely agrarian and rural society into an industrial and urban one always involves major changes in social structure. Social change, in turn, almost inevitably leads to the rise of new political actors demanding a voice and a share of power. Although Steinberg does not dwell on the larger socioeconomic or theoretical picture, he does a good job of presenting the specifics of how this story played out in the German case. The success of the German economy led to the expansion of three groups: the bourgeoisie, the middle class, and the working class. These groups challenged Junker dominance through the Catholic Center Party, various liberal parties, and the Social Democratic Party. Ultimately, following Germany's

defeat in World War I, these parties would abolish the empire and declare a republic. But Bismarck, by playing these forces off one another and selectively granting policy concessions, managed to keep them at bay for decades.

Nondemocratic regimes that try to manage their publics by simulating democracy have to walk a fine line. Establishing a veneer of democratic institutions, such as elections, can allow traditional or dictatorial rulers to incorporate rising groups into the political process without fully empowering them, thus stabilizing an existing regime and giving it some popular legitimacy. If elections are too obviously a sham and legislatures too obviously impotent, however, their hollowness can spur demands for progress toward real democracy, increasing rather than decreasing the regime's political problems.

The imperial German political system grappled continuously with this tension. It featured a monarch, the kaiser, who appointed the chancellor, the head of government. But it also featured a bicameral parliament, with the powerful lower house, the Reichstag, elected competitively through universal male suffrage. It was here that new social forces in Germany could give voice to their concerns. During his two decades as chancellor, Bismarck reported directly to the sovereign rather than the public at large, but he needed the consent of a majority in the Reichstag in order to pass budgets and other legislation.

The politics that played out in the Reichstag were real. The monarchy could not count on automatic support for all of its policies. It lost battles from time to time, and it was forced to compromise with legislative factions. Despite these constraints, Bismarck outmatched all his competitors in domestic politics, as in foreign policy, by practicing a style of politics similar to that used in competitive authoritarian regimes today.

## SUPPRESSION AND CO-OPTATION

Bismarck's strategy was to weaken his opponents through authoritarian suppression while building temporary political coalitions in order to enact his preferred legislation. The skillful execution of this strategy allowed him to keep control over the legislative agenda for 20 years, despite his lack of a natural parliamentary majority and the growing power of the middle and working classes.

His favorite move was to divide and conquer, turning his ire on the Catholics, the liberals, and the Social Democrats in turn. The first of these maneuvers, the Kulturkampf of the 1870s, was directed against the third of the Prussian population that was Catholic. Bismarck saw Catholics and the clergy as potential fifth columnists who could be manipulated by Catholic Austria (which he had kept out of the empire) and the Vatican. He was able to put strong anticlerical measures in place by securing the support of conservatives and liberals. This worked for a while, but in the long run, the Center Party's strength continued to grow, and many of its leaders came to believe that constitutional democracy would protect their interests better than the monarchy.

The Kulturkampf was followed by the Anti-Socialist Laws. After two failed assassination attempts on the kaiser in 1878, Bismarck was able to convince both conservatives and liberals to pass restrictions on the rapidly growing socialist movement, denying socialists the right to publish or assemble. Even as he pressured the working

class' formal political representatives, however, Bismarck tried to gain the support of workers themselves by sponsoring an array of pioneering social welfare legislation—health insurance (1883), accident insurance (1884), and retirement pensions (1889). He was among the first to understand, in other words, that authoritarian regimes can legitimize themselves by lifting their citizens out of poverty and providing some security against economic uncertainty. Here, too, the strategy worked in the short run but failed over time, as the Social Democrats continued to grow, becoming Germany's largest political party in 1912. In 1890, following Bismarck's dismissal, the Reichstag allowed the Anti-Socialist Laws to lapse.

As for the liberals, Bismarck repeatedly sought their help for his moves against the Catholics and workers, but his larger relationship with them blew hot and cold, particularly on the issue of free trade (which they supported and he did not). And toward the end of his term, he turned against them, too, using rising anti-Semitism as a weapon. Like many Junkers and conservatives, Bismarck rejected modernity and capitalism as a Jewish plot to gain power and upset the natural order of society. Over the course of the third quarter of the century, this sort of anti-Semitism gathered steam in Germany. Bismarck did not drive the movement, but he was happy to profit from it, permitting attacks on prominent Jewish liberals as a way of weakening and cowing liberalism as a political force.

Bismarck's success in domestic political combat enabled him to remain in control of the Reich and enact the foreign and industrial policies that ensured Germany's status as a great power. His example seemed to show that illiberal politics could achieve results that matched or exceeded the results of liberal political institutions elsewhere in the West—and his contemporaries took note, making "revolution from above" an attractive option for other autocrats, not unlike the so-called China model today.

### IS COMPETITIVE AUTHORITARIANISM SUSTAINABLE?

Many ambitious politicians in developing countries today, such as Vladimir Putin in Russia and Hugo Chávez in Venezuela, have adopted some aspects of democratic political systems, allowing parties, elections, constitutions, and the like, while harassing their opponents and finding ways to keep power in their own hands. This might well end up being the outcome of the political turmoil in many of the countries that experienced the Arab Spring, such as Tunisia, Egypt, and Libya. And even some democracies have slid backward in their practices, with leaders such as Viktor Orbán in Hungary and Recep Tayyip Erdogan in Turkey using their power to throw unfair obstacles in the way of their political rivals. Some relatively stable authoritarian regimes, meanwhile, such as China, Malaysia, Singapore, and Vietnam, owe their success in part to their ability to enhance the welfare of their populations. Whether they realize it or not, all these regimes are following in Bismarck's footsteps.

Lifting populations out of poverty is clearly a good thing. In the second half of the nineteenth century, as Germany became an economic and military powerhouse, the country's standard of living rose appreciably, and it became a world leader in science, the arts, technology, and education. But in creating a powerful and authoritarian state to attain his goals, Bismarck retarded the political development of the society around it. Through his

continuous and contemptuous manipulation of parliament, suppression of dynamic new political forces, and intolerance of all independent sources of intelligence and authority, he denied Germany exactly what it needed to govern itself successfully over the long term: a well-developed parliamentary tradition and robust political parties capable of providing effective leadership. The sociologist Max Weber's classic analysis of Germany's limited democratic prospects at the end of the empire, which Steinberg appropriately highlights and appreciates, should be sobering reading for fans of competitive authoritarians in the developing world today.

To be sure, there are also some grounds for optimism. In her important study *Practicing Democracy*, the historian Margaret Anderson offers a significantly less gloomy interpretation of imperial Germany's ultimate political trajectory. She paints a picture of a country in which 40 years of competitive politics produced a thriving civil society, a well-established party system, and a vibrant public sphere. Anderson argues that Germany may well have evolved naturally in the direction of real democracy were it not for World War I and the Carthaginian peace that followed. And other scholars have made similar points about less than fully democratic political development in mid-nineteenth-century France and contemporary Africa and other cases with similar features.

The crux of this debate is whether competitive authoritarianism can serve as a useful halfway house toward a better political future—whether institutions that offer some form of open contestation, even if seriously flawed, inculcate good habits that eventually facilitate the emergence of liberal democracy or whether they constitute a detour away from it.

Here, too, the German case has lessons to teach, if one extends the discussion from Bismarck's era to the decades that followed, and particularly to World War I itself. Anderson, for example, may be correct that Germany was on a path to evolve in a democratic direction in the early decades of the twentieth century. But many would argue that it was precisely in order to head off such an outcome that conservative German elites were prepared to act so aggressively during the run-up to war and accept the terrible risks of an expansionist foreign policy. Bismarck's wars of German unification had helped stymie the reformist impulses of the liberals, after all, so it was not crazy to think that a new round of expansionism might cause the opposing parties to fall into line this time around—which, in fact, they did for the first three years of the war, until the full economic brunt of failure began to be felt.

Competitive authoritarian political systems, like imperial Germany's hybrid of monarchy and parliamentary rule, might contain the seeds of future democracies. However, for this to occur, the elites that benefit from competitive authoritarianism need to be willing to let the electoral process play out to its conclusion. They have to accept a loss of control over the outcome of elections, the need to compete fairly with newly empowered political forces, and the prospect of ultimately sharing or even losing power. The willingness of local elites to cope with the uncertainty of fully competitive politics will thus be the ultimate factor in determining whether competitive authoritarianism proves a way station in democratic development or a safe house for autocrats.

Review Essay

# Africa Unleashed

## Explaining the Secret of a Belated Boom

*Edward Miguel*

*Emerging Africa: How 17 Countries Are Leading the Way.* BY STEVEN RADELET. Center for Global Development, 2010, 169 pp. $18.95.

It is well known that the 1970s, 1980s, and 1990s were a disaster for the countries of sub-Saharan Africa. In a period when other underdeveloped regions, especially Asia, were experiencing steady economic growth, Africa as a whole saw its living standards plummet. Nearly all Africans lived under dictatorships, and millions suffered through brutal civil wars. Then, in the 1990s, the HIV/AIDS epidemic exploded, slashing life expectancy and heightening the sense that the region had reached rock bottom. It was no surprise when an intellectual cottage industry of Afro-pessimists emerged, churning out a stream of plausible-sounding explanations for Africa's stunning decline. The verdict was simple: Africa equaled failure.

What is less well known is that Africa's prospects have changed radically over the past decade or so. Across the continent, economic growth rates (in per capita terms) have been positive since the late 1990s. And it is not just the economy that has seen rapid improvement: in the 1990s, the majority of African countries held multiparty elections for the first time since the heady postindependence 1960s, and the extent of civic and media freedom on the continent today is unprecedented. Even though Africa's economic growth rates still fall far short of Asia's stratospheric levels, the steady progress that most African countries have experienced has come as welcome news after decades of despair. But that progress raises a critical question: what happened?

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*Edward Miguel*

Steven Radelet's accessible and insightful new book, *Emerging Africa*, joins a growing chorus of voices explaining how and why Africa has turned the corner. Radelet, who joined the U.S. State Department to work on international development issues last year, was a fellow at the Center for Global Development and has served as a policymaker in both the United States and Liberia, where he advised President Ellen Johnson-Sirleaf. He does a remarkable job of weaving together hard statistical patterns, case studies, and a coherent narrative that explains both Africa's decline and its recent rebound. The book is useful reading both for specialists in the field, who will gain from its detailed description of the experiences of numerous countries, and for those newly interested in Africa, including non-economists, who will find their preexisting notions about the continent overturned. *Emerging Africa* crystallizes the new conventional wisdom on Africa's recovery. But it also highlights gaps in experts' understanding about its underlying causes.

#### VOTING FOR GROWTH

In Radelet's view, five main factors have conspired to turn Africa around. Expanding democratization has opened up governments, bolstering popular accountability. Improved economic policies have curbed the worst tax and regulatory policies that had plagued African households and investors. Debt reduction has freed up resources for education and health care. New technologies (most notably the ubiquitous cell phone) have boosted Africans' access to markets. And the rise of a new generation of energetic leaders, the so-called cheetah generation (in the evocative terminology of the Ghanaian scholar George Ayittey), has brought new ideas and attitudes to the fore.

Radelet assembles chronological graphs for dozens of key measures, such as income levels, foreign trade, political freedom, schooling, and cell-phone penetration. He then ties the data together with fresh accounts of how the process of transformation has actually occurred on the ground. Tanzania, for example, boosted primary school enrollment by abolishing school fees in 2000. In Mozambique, the liberalization of agricultural markets has allowed farmers to keep more of what they sell. Mali's mango exports have soared since the adoption of improved supply-chain management practices. In Rwanda, incentive payments for doctors have strengthened the health-care system, as has the use of daily text messages to remind HIV/AIDS and tuberculosis patients to take their pills. These and other smart public policies are revolutionizing African economies.

Radelet also looks beyond government decisions, describing how individual Africans have accelerated these transformations, often at great personal risk. He profiles such visionaries as John Githongo, Kenya's fearless anticorruption crusader, and Patrick Awuah, a Swarthmore College graduate who left a lucrative career at Microsoft to return to his native Ghana, where he founded Ashesi University, a liberal arts college that aspires to educate a new generation of ethical and entrepreneurial African leaders. There is finally enough oxygen in these increasingly free countries for talented Africans to reimagine and rebuild their societies.

Although all five of the factors Radelet describes have plausibly played a role in Africa's nascent transformation, the

FINBARR O'REILLY/REUTERS

*At a school in Nairobi's Kibera slum, June 2, 2009*

essential question, of course, is, which one has contributed the most? Radelet's answer is democratization. The relationship between democracy and economic growth in Africa, he writes, "is crystal clear: democratic governments . . . have been successful, while authoritarian governments have by and large been failures." He goes on to note that 13 of the 17 countries he singles out as emerging success stories have made the transition to more or less full-fledged democracies since the 1990s, whereas the pace of democratic reform has been far slower in both oil-producing countries and economic "laggards."

Radelet argues that Africa's political opening in the early to mid-1990s had a number of positive side effects. Competitive elections promoted public accountability, which led to better economic policies and governance. Politicians rightly perceived that competent macroeconomic management and fiscal policies would benefit them at the polls, and so they began to give up their kleptocratic ways. Increasingly open political systems created new opportunities for well-educated "cheetahs," energetic political newcomers who were often trained abroad, to outcompete the slow-moving "hippo" holdovers from the anticolonial struggle. Newly democratic regimes have also been more eager to embrace, rather than suppress, new information technologies that can make markets more efficient and grass-roots political organizations easier to form. Although social scientists are still debating the relationship between democracy and economic performance, Radelet makes a robust case that democratic reform was a necessary precondition for many of Africa's other recent advances.

But in identifying democratization as the leading cause of Africa's recent economic turnaround, especially in the

countries he labels as emerging, Radelet simply pushes the question of causality back another step. Left unanswered is why some African countries, such as Ghana, developed successful democracies in the 1990s, whereas others, such as Côte d'Ivoire, Ghana's neighbor, tried and failed. And why did democracy take root only then, whereas earlier democratic experiments in the 1960s (in Ghana, Kenya, and Sierra Leone, to name a few) collapsed within an election cycle or two? Radelet highlights the role that the end of the Cold War played in creating more breathing room for real political competition in the 1990s. No longer did intervening superpowers distort the political process either directly, as the United States did when it backed the assassination of Congo's first prime minister, Patrice Lumumba, or indirectly, through arms sales and diplomatic pressure. But that is only part of the story. After all, democracy was reestablished in much of Latin America in the 1980s, when the Cold War was in full swing.

#### KNOWLEDGE AND POWER

What, then, is left to account for Africa's impressive economic and political recovery? The answer might lie in education. More "human capital," in economics jargon, directly boosts labor productivity, but it can also benefit society in many other ways. It appears to go a long way in explaining why some African democracies were able to survive (and sometimes thrive) in the 1990s: unlike in the 1960s, education was widespread. The rapid expansion of schooling in Africa—a remarkable social improvement that took place during the otherwise lost decades of the 1970s and 1980s—helped lay the foundation for political reform, which then enabled the economic policy changes that have since contributed to faster economic growth. Whereas at the time of independence, few Africans had had any formal education, today the vast majority of them have attended some school. Kenya illustrates the broader trend: adult literacy rates there have risen from a mere 32 percent in 1970 to nearly 90 percent today.

Although the connection between education and social and political reform might seem intuitive, scholars have had a hard time establishing a causal link. They have proposed a number of disparate theories. Some argue that education empowers the disadvantaged, pushing them toward greater political activism; others contend that it promotes modern prodemocratic and secular attitudes and weakens ethnic attachments. Still others have suggested that education, designed to instill an acceptance of existing authority in youth, in fact bolsters autocratic regimes.

Through research on Kenyan youth, Willa Friedman, Michael Kremer, Rebecca Thornton, and I have attempted to disentangle the causal relationship between education and political attitudes to better understand the improvements Radelet discusses. We looked at a girls' scholarship program conducted in Kenyan primary schools during 2001 and 2002 and structured our study as a randomized experiment. Designed like medical trials, with both treatment and control groups, randomized experiments have become an indispensible tool for development economists seeking to lend more scientific rigor to their research on social programs. For our study, in 34 randomly chosen schools, adolescent girls who scored in the top 15 percent on standardized tests received generous scholarship awards, cash prizes, and public

recognition. Girls at a different set of 35 schools—the control group—received no such incentives.

What did we find? In the schools with the incentives, students and teachers had higher attendance rates and the students scored much better on standardized reading and math tests. Five years after the program had begun, with the girls now in their late teens and early 20s, those at the scholarship schools continued to do much better on standardized tests. We also conducted detailed opinion surveys to estimate the effect that this improved education had had on their political attitudes and behaviors. There was no evidence that the students who had received the scholarship incentives held views that were more pro-democratic or secular than the control group or saw their ethnic identities as any less important. They were, however, much more likely to read newspapers and identify a favorite one. They were also more politically informed and more critical of Kenya's rulers and its current economic conditions. Yet this awareness did not translate into action: they were no more likely to say they intended to vote in the next election, nor were they more likely to participate in community groups.

Instead, the young women who had received the incentives were more likely to report that they found the use of violence in politics acceptable. Perhaps this finding should not be too shocking given the participants' persistently strong ethnic identities, their dissatisfaction with Kenya's fledgling democracy, and the limited avenues for peaceful political participation in the country. (Indeed, due to its uneven economic and political record, Kenya does not qualify as one of Radelet's "emerging" countries, although it comes close.) For decades now, violence has been a central feature of political change in Kenya, from the anti-British Mau Mau uprising in the 1950s to the contested presidential election of 2007. The declining satisfaction with the status quo that the young women we studied expressed, as well as their growing acceptance of political violence, may in fact reflect their heightened awareness of the true nature of political power and change in Kenya, an awareness that grew as they received more education.

Some caution is always required in interpreting results based on data from one country or region. But the results of our Kenyan study are consistent with the view among some social scientists that education empowers students rather than, for example, causing them to acquiesce to authority. In other words, if education does make societies more democratic, it does not necessarily do so by making people hold more pro-democratic views. Rather, it makes them more politically knowledgeable and more willing to challenge the authorities. In Kenya, this might mean being willing to use violence. But in countries with more opportunities for democratic participation, the heightened political consciousness and reduced acceptance of authority might lead to greater civic involvement, contributing to a more vibrant democracy. As Radelet notes, competitive democracies in Africa are more inclined to adopt pro-growth economic policies.

Radelet convincingly describes another way in which education promotes economic progress, beyond its impact through politics. He notes that there are simply many more skilled economists and policy experts in Africa today than there were in the 1970s and 1980s, as the more educated,

younger cheetah generation takes center stage. This sharp improvement in technical capacity is reflected in the academic credentials of many recent African central bankers. Benno Ndulu, the current governor of the Bank of Tanzania, has a Ph.D. in economics from Northwestern University, is an internationally respected researcher, and has held high-level posts at the World Bank. Officials like him are willing to engage in more rigorous, independent, and creative policymaking than their predecessors; Tanzania's macroeconomic management during the recent global economic crisis was particularly sound.

#### LOOKING UP

Increasingly educated populations, democratic politics, spreading technologies, and improved economic policymaking have combined to create a new Africa that bears little resemblance to the caricature of a "dark continent" that still rears its head in the media. Instead of being known for "blood diamonds," Sierra Leone has gained attention for improving access to electricity in its capital and expanding its rural road network. Instead of serving as the inspiration for food-aid concerts, Ethiopia today flies millions of dollars' worth of fresh flowers overnight to Europe. Even in the Democratic Republic of the Congo, where a civil war still lingers, army officers are finally being brought to trial for civilian abuses. Radelet is right that it is time to turn the page on the lost post-independence decades and stop treating Africa like an exotic economic basket case.

How can Africa's great recovery be sustained, or even accelerated? The gains made so far—moving from war to peace, establishing democratic footholds in the face of entrenched dictatorships, and doing away with the worst forms of economic mismanagement—were the hardest part, and these improvements will continue to yield economic payoffs. Faster growth may also require sub-Saharan African countries to siphon off some of the foreign investment in the labor-intensive sectors of manufacturing and services that has traditionally gone to Asian countries. This idea is not so far-fetched, since wages in Asian countries are ballooning and their populations are aging (especially China's). Will Africa someday have more textile factories than China or more call centers than India? It may only be a matter of time. Of course, that outcome, as *Emerging Africa* demonstrates, will require more than just outside interest; it will require competent leaders pursuing sound economic policies.

Response

# How Central Is Land for Peace?

## Debating the Settlements

## A Healthy Obsession

ODED NAAMAN AND
MIKHAEL MANEKIN

In "The Settlement Obsession" (July/August 2011), Elliott Abrams argues:

> In the end, Israel will withdraw from most of the West Bank and remain only in the major blocs where hundreds of thousands of Israelis now live. Israelis will live in a democratic state where Jews are the majority, and Palestinians will live in a state—democratic, one hopes—with an Arab Muslim majority. The remaining questions are how quickly or slowly that end will be reached and how to get there with minimal violence.

For Abrams, there can be no other end; all that politics can do is postpone this end or bring it about. Although it would be preferable to end the conflict as soon as possible, there is no immediate need to do so. Any sense of immediacy, Abrams writes, is overblown: he claims that nongovernmental organizations and some in the international community unjustly point to a humanitarian crisis to create unwarranted urgency.

In reviewing our book, *Occupation of the Territories*, Abrams attempts to assuage worries about the need for urgent action, going so far as to compare Israel's military behavior during its 45-year occupation of the West Bank—in which Israel has expropriated land, seized natural resources, and settled its own population there—to the United States' behavior during in its ten-year occupation and massive reconstruction of Germany after World War II. Abrams then implies that Breaking the Silence does not provide reliable or sufficient evidence for the claim that, in his words, "the presence of Israeli settlers and IDF [Israel Defense Forces] soldiers in the West Bank is laying waste to the area, reducing it to misery."

Contrary to what Abrams writes, Breaking the Silence does not consider itself a human rights organization. Rather, we are a group of around 800 Israeli combat veterans with firsthand experience in enforcing military rule in the West Bank and Gaza. We have manned checkpoints, conducted house arrests, and faced down rocks thrown by Palestinian villagers. We therefore claim the authority not only of eyewitnesses but also of participants and

perpetrators. Our experience has taught us that realities on the ground in the West Bank and Gaza are often quite different from the way they are portrayed by foreign analysts.

A case in point is Abrams' claim that the testimonies regarding Gaza are misleading because Israel left the territory in 2005. What Abrams does not mention is that the book includes testimonies from soldiers who served in Gaza after 2005. These soldiers administered the Israeli navy's blockade of Gaza and carried out military operations to round up potential Palestinian informants. In other words, Israel's military control of Gaza has continued even after the 2005 disengagement.

Another example that Abrams cites in order to question our reliability is one soldier's testimony regarding the sealing of Nablus during the second intifada in 2001. Abrams claims that the situation in Nablus today has improved, and he finds the testimony in question misleading. We are not strangers to Nablus (one of the co-authors of this response participated as an infantry officer in the sealing of the city in 2001), and we find Abrams' confidence unwarranted. Even today, although some roads into Nablus are indeed open, one cannot exit the city except on these roads, as the rest of Nablus is sealed by a system of checkpoints and Israeli-only roads that service the settlements. And even if this were not the case, it seems odd that the devastating assault on the city less than a decade ago would strike Abrams as being politically irrelevant today. Does he feel the same way about violence unleashed on Israeli cities around the same time?

To this day, the inhabitants of Nablus have no say about whether their city will be sealed. The IDF may seal it tomorrow morning if it so wishes. Just this past summer, the IDF mobilized a whole brigade to escort 21 buses of Israeli settlers who wished to pray at Joseph's Tomb in the city. For better or worse, Nablus remains at Israel's mercy, because, just as it was a decade ago, the city is still very much under Israeli occupation.

Abrams attributes to us the claim that Israel's military presence and settlements are reducing the West Bank to misery. But we do not in fact suggest that humanitarian crises are the inevitable result of military occupation and settlements. Nor do we believe that military occupations are problematic only if they lead to humanitarian crises. Rather, we argue that as long as Israeli military rule remains in place, the Palestinians will live at Israel's mercy, with their well-being and very lives dependent on Israel's discretion. Our book is a detailed elaboration and defense of this claim: it describes Israel's military rule from the point of view of those who enforce it. We have raided houses in the middle of the night for the sole purpose of what the IDF calls "establishing deterrence" (in other words, instilling fear) and decided which Palestinian civilians would be allowed to pass through checkpoints and which would not. In *Occupation of the Territories*, we describe how we have denied people the basic liberties to which every human being has a right—all in the name of security for Israel and for its settlements in the West Bank, whose existence is widely condemned by the international community.

Abrams believes that after Israel's retreat, only the major settlement blocs (large clusters of settlements) will remain in Israel's possession. But as the settlements continue to grow rapidly, so do the future

settlement blocs. To argue that the duration of Israel's occupation has no bearing on a future Palestinian state's borders and sovereignty is therefore misleading. This past summer, Israeli Prime Minister Benjamin Netanyahu doubled the land allocated to settlers in the Jordan Valley, the area that would form a Palestinian state's border with Jordan and its only border that would not directly touch Israel. Netanyahu's policy of settlement expansion there will ultimately turn the Jordan Valley into yet another settlement bloc, completely encircling the West Bank with Jewish settlements.

Abrams is in no hurry to end the occupation. There is only one end he deems proper—an Israel with settlement blocs next to a viable Palestinian state—and this end might be reached "quickly or slowly," as he puts it. What Abrams fails to mention is that the slower this end comes, the better for those in Israel who have aspirations to expand Israel's territory, for in the meantime, the settlements continue to grow and a future Palestinian state gets smaller. More important, to acquiesce in the status quo while waiting for Abrams' end to come is to renounce Israel's most sacred liberal values. Self-determination and freedom are inalienable rights, and these convictions lie at the foundation of Israel's aspirations. They remain empty words, however, as long as Israel militarily occupies the lands of the Palestinians and rules over them against their will.

ODED NAAMAN *and* MIKHAEL MANEKIN *are the co-editors of* Occupation of the Territories: Israeli Soldiers' Testimonies 2000–2010 *and served in the Israel Defense Forces.*

# Abrams Replies

Oded Naaman and Mikhael Manekin do clarify that Breaking the Silence is not a human rights group, but they clarify little else. BTS' view, which sees Israeli settlers and settlements as the root of all evil, does not allow for shades of gray and elides the complexities of the real world.

The question of the Jordan Valley provides a good example. The position of the current Israeli government is that the Jordan River must remain a security border, not that settlements must remain there. In a May 2011 speech to the Knesset, Prime Minister Benjamin Netanyahu said, "The settlement blocs must remain within the State of Israel," but his only mention of the Jordan Valley was to say that security required a "long-term IDF presence along the Jordan River."

Nevertheless, Naaman and Manekin write that "Netanyahu's policy of settlement expansion there will ultimately turn the Jordan Valley into yet another settlement bloc." As evidence, they cite how "Netanyahu doubled the land allocated to settlers in the Jordan Valley" last summer. Not quite. The World Zionist Organization, a group that is close to, but officially distinct from, the Office of the Prime Minister, made that announcement, not the Israeli government; in fact, what is planned is that Israeli farmers there will be allowed to double the size of their agricultural plots from roughly nine acres to 20, with the justification that it is hard to make a living farming only nine acres. The settler population will not increase under this plan, making it hard to imagine how it would "turn the Jordan Valley into [a] settlement bloc." The reaction to the announcement by David Lahiani, the head of the Jordan Valley Regional Council, which represents the area's settlers, is telling. He said, "Until our fate is determined, we want to live a normal life." In other words, he, unlike Naaman and Manekin, acknowledges that the decision permitting more land to be cultivated does not resolve the future of the area.

Naaman and Manekin also confuse increases in the settlement population with the expansion of the settlements' land area, claiming that "as the settlements continue to grow rapidly, so do the future settlement blocs." Such logic equates population growth with physical expansion—but the two are not the same. If a large settlement, such as Maale Adumim (with a population of 40,000 people), which all sides understand will remain part of Israel, adds some new apartment houses, its borders do not expand and a future negotiated settlement becomes no harder.

As to Nablus, the grim picture BTS paints is unwarranted. A news story from the online publication *The Electronic Intifada* from last April, for example, criticized various Israeli restrictions and problems with the Palestinian economy but candidly noted that "in the city of Nablus, . . . the main streets, torn up by Israeli bulldozers and tanks nearly a decade ago, are packed with cars. Traffic lights have replaced the rule of chaos. Al-Mujamma, a massive ten-story complex, overlooks Nablus' ancient old city. It hosts a shopping mall, a cinema, various companies and an underground taxi station. On Saturdays, scores of Palestinians with Israeli citizenship flock into the vibrant markets."

On the question of mobility, although it is certainly true that Israel remains entirely in control, the UN Office for the

Coordination of Humanitarian Affairs in the Palestinian territories reported last December that "2010 saw a marked improvement in Palestinians' and Israeli Arabs' ability to move around the West Bank, notably within and between urban areas." But BTS seems determined to deny that there is any progress at all. It does not want one additional settler to move to the West Bank, nor any Israeli to lay one additional brick there. This may be a defensible political position, but it must be defended without recourse to exaggerated arguments.

Gaza provides another example of this pattern of ideologically driven hyperbole. Naaman and Manekin write that "Israel's military control of Gaza has continued even after the 2005 disengagement." This is an odd claim, given that Gaza has a border with Egypt over which Israel has no control. What is more, within Gaza itself, Hamas has complete domination, 13,000 to 15,000 men under arms, and a large arsenal of missiles, rockets, and other weapons.

The desire of Naaman and Manekin to end the occupation is admirable (although their allegation that I am "in no hurry" to do so is less admirable), but they seem to believe that this is a simple matter requiring only Israeli willpower, as if there were nothing on the other side of the equation. In their apparent worldview, there is no Hamas, no corrupt and incompetent Fatah Party, no current terrorism, nor any threat of increased terrorism if the IDF pulls out of the West Bank entirely. The soldiers who are now members of BTS should know better, which perhaps may explain why so few former IDF soldiers are affiliated with the group: there are 175,000 soldiers in the IDF and 450,000 in the reserves, but according to BTS' own claims, there are only around 800 former Israeli soldiers in the organization.

At the end of their response, Naaman and Manekin allow themselves a lovely peroration: "Self-determination and freedom are inalienable rights, and these convictions lie at the foundation of Israel's aspirations. They remain empty words, however, as long as Israel militarily occupies the lands of the Palestinians." Their position that Israeli "freedom" is an empty word today is extreme and mirrors the worst anti-Israel propaganda. Moreover, it once again seeks to make simple what is in fact quite complex. Palestinian self-determination may not result in freedom, as Hamas' rise in Gaza has shown. Naaman and Manekin's mission of ending the Israeli occupation is a difficult military, political, and diplomatic undertaking, which is why it has taken decades and may take years or even decades more. Their execration of the actions of Israel's government and security forces will not bring it any faster.

Responses

# Manufacturing Globalization

## The Real Sources of U.S. Inequality and Unemployment

### Trouble on the Home Front

RICHARD KATZ

A decade ago, the great American jobs train fell off its tracks. Traditionally, boosts in private-sector employment have accompanied recoveries from economic downturns. In the first seven years after the beginning of the 1980 and 1990 recessions, for example, the number of private-sector jobs increased by 14 percent. Yet in January 2008, seven years after the previous pre-recession peak and before the most recent recession began, private-sector jobs were up only four percent. Today, for the first time in the postwar era, there are fewer of these jobs than there were ten years before.

Ignoring the overall dearth of jobs, Michael Spence ("The Impact of Globalization on Income and Unemployment," July/August 2011) singles out the fraction of employment in sectors related to trade. He claims that China and other developing countries have taken U.S. jobs and blames globalization for the substantial increase in income inequality across the country. It is misleading, he says, to argue that "the most important forces operating on the structure of the U.S. economy are internal, not external." He is wrong: the fault lies not in China or South Korea but at home.

It is true, as Spence claims, that the tradable sector of the economy has lost many jobs in the past several decades. (According to Spence, the tradable sector produces goods and services that can be consumed anywhere, such as manufacturing, whereas the nontradable sector produces goods and services that must be consumed domestically, such as health care). But that is like saying that children with big feet are better readers than children with small feet. It would help to know that the kids with big feet are fifth graders and that those with smaller feet are second graders. The lion's share of tradable products consists of manufactured goods, leading Spence to conflate the fate of manufacturing jobs with that of jobs in the tradable sector. The United States lost 4.4 million manufacturing jobs between 1990 and 2008. Since Spence says that the total number of tradable-sector jobs grew by 600,000 during this period, then the United States must have gained five million jobs in the

tradable sector outside of manufacturing. That number represents about a fifth of all private-sector job growth. In short, the key determinant of whether jobs grew or fell was not whether they were in the tradable sector but whether they were in manufacturing—just as the key determinant of reading ability is not foot size but grade level.

As economies mature, manufacturing jobs sooner or later shrink, and this happens with or without globalization. This pattern holds true across a spectrum of rich countries, including those with significant trade surpluses. Even in Germany, where, according to Spence, the government protected factory jobs from international competition, such jobs fell by 27 percent between 1990 and 2008. During the same period, factory jobs fell by 26 percent in Japan, 24 percent in France, and 24 percent in the United States (although U.S. manufacturing output grew by 74 percent). In the former West Germany, factory jobs began falling back in 1971, meaning that the disruption of German reunification in the 1990s merely exacerbated a long-standing trend.

The explanation for the shrinkage of factory jobs is well known. As economies mature, people tend to spend less on goods and more on services. Meanwhile, productivity growth tends to be higher in manufacturing than in services. Suppose demand for manufacturers goes up by 15 percent but output per worker goes up even more, say, by 25 percent. In that case, jobs will drop by ten percent. Manufacturing mirrors farming: just a tiny sliver of the work force can now feed the entire country.

Meanwhile, if China is stealing U.S. manufacturing jobs, why are there 12 million fewer factory jobs in China today than there were in 1996, the peak year for such jobs, even as manufacturing output has tripled? The reason is that reforms boosted efficiency, thereby making cheaper goods available.

Spence's inaccurate diagnosis has led him to some prescriptions that could make the patient even sicker. His proposal that the United States should protect jobs at the expense of efficiency and wage growth—as if it could not promote all three at the same time—essentially advises the United States to copy the approach that Japan took in the 1970s and 1980s. This is what ultimately led to the two decades of anemic growth in Japan that began in the early 1990s.

Although some of Spence's remedies, such as improving education, are absolutely correct, restricting trade to preserve jobs would be counterproductive. For any given level of demand for manufactured goods, the only way to create more jobs is to lower each worker's output. Between 1990 and 2008, manufacturing output per worker increased by 135 percent in the United States, but it increased by only half that in Germany and Japan. In those two last countries, lower productivity growth made goods more expensive, thereby hurting real wages across their economies. It also pressured employers to restrain wages in order to compete in international markets. That is part of the reason why real wages fell by 4.5 percent in Germany and by five percent in Japan over the past decade. Slower productivity growth also translates into slower overall GDP growth—one of the primary causes of Japan's two decades of economic lethargy.

The primary culprit in the United States' rising inequality level is not globalization, as Spence argues, but political and social conditions at home. Although

economy-wide efficiency and growth are necessary for raising living standards, they do not guarantee it. Half of all single mothers without a high school diploma in the United States live in poverty. Workers' bargaining power has been reduced by long spells of high unemployment (over seven percent for 14 of the past 36 years), a plunge in unionization, and a 30 percent drop in the inflation-adjusted minimum wage since 1970. Real wages have grown, but by far less than the national income has. Conversely, the country's tax policies, excessive financial deregulation, and corporate pay trends have shifted income to the richest of the rich. The share of total income taken by the top one percent of taxpayers (1.5 million) more than doubled, from ten percent to 21 percent, between the 1970s and 2008; for the top one-hundredth percent of taxpayers (a mere 15,000), that share rose from one percent to five percent. If globalization had caused the United States' enormous disparity between the income of the bottom 20 percent and that of the top one percent, the disparity would have also occurred elsewhere. But no other rich country has come close to approaching it.

Globalization undeniably plays some role (although not the primary role) in job and wage trends for workers in the tradable sector, but the U.S. government's policies compound its harm. U.S. workers who lose their jobs due to globalization have to take a 20 percent pay cut, on average, to get their next job, the worst decline of any country in the Organization for Economic Cooperation and Development (OECD). Spence contends that in the new globalized world, U.S. workers have no choice but to sacrifice wages to preserve jobs and that the country as a whole must sacrifice some efficiency and growth to equalize incomes. Both propositions are dubious. Cross-country data on rich countries show no correlation between trade-to-GDP ratios and growth in real wages.

Moreover, look at the Scandinavian countries, which suffered a deep recession and structural problems similar to those of Japan during the 1990s, from banking crises to inefficient domestic sectors. Scandinavia has since recovered, partly by becoming even more globalized. Sweden and Denmark increased their trade-to-GDP ratios by almost 40 percentage points between 1990 and 2008. Just before the most recent global recession, Danish workers enjoyed the highest real wages in Europe, the second-lowest unemployment rate in the OECD, and the highest income equality in the OECD. The Swedes, who came in second in income equality, enjoyed one of the highest rates of real wage growth in the decade prior to the global slump and saw their country's unemployment rate drop from 10.2 percent to 6.2 percent during that time. To combat the negative effects of globalization, the United States should expand trade and then use part of the resulting addition to GDP to aid those who have been harmed by open trade.

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# Productivity Is the Reason

ROBERT Z. LAWRENCE

Michael Spence faults globalization for rising unemployment and income inequality in the United States over the past two

decades. But he fails to prove that globalization is to blame and overlooks the true culprits responsible for the decline in U.S. jobs.

To make his case, Spence divides the economy into tradable and nontradable sectors. He finds that between 1990 and 2008, value added per employee in tradable products grew by 40 percent more than value added per employee in nontradables. He reasons that if value added per worker in a sector rises rapidly, real incomes per worker must rise, too. As a result, he concludes, real income growth in the tradable sector has outpaced income growth in the nontradable sector, thereby leading to inequality. Since Spence argues that global supply chains are the reason for the increase in value added per worker in tradables, he holds globalization responsible for rising income inequality in the United States.

Spence's contention that increases in value added per worker lead to higher incomes would be true if value added were measured in terms of increases in actual dollars per worker. But the measure that Spence uses is designed to measure not income but output; Spence measures only how the value added per worker in a given industry shifts based on changes in the prices of goods and services produced in that industry.

A rise in wages in terms of what workers produce—the measure that Spence uses—does not necessarily translate into a rise in workers' purchasing power. For example, suppose that productivity rises rapidly in the computer industry and the improvement is passed on to consumers in the form of lower prices. The actual wages of computer industry workers would not rise in such a scenario. Spence's measure would show higher value added per worker, but workers who produced computers, and workers employed elsewhere with similar wages, would benefit only if they chose to spend more of their money on computers. Thus, the growth of output per worker does not necessarily lead to higher incomes and, as a result, higher wage inequality. This is why the data actually contradict Spence's inference that incomes in the tradable sector have mirrored value-added growth and thus outpaced income growth in the rest of the economy. The increases in his measure of value added per worker have been concentrated in manufacturing—yet between 1990 and 2008, average weekly wages in manufacturing increased by four percent less than did wages in the economy as a whole.

Spence is also wrong to blame the slow employment growth in the tradable sector over the last two decades on the outsourcing of lower-value-added manufacturing activities, such as clothing production and electronic assembly, to other countries. To be sure, this movement has lowered some salaries and eliminated some jobs in the United States, but its impact on overall rates of employment and wages is far smaller than Spence implies. In fact, he completely ignores a far more important factor in promoting wage inequality: technological innovation.

For the past 50 years, technological development has helped productivity grow more rapidly in manufacturing than in the rest of the economy. On the one hand, this growth could lead to less employment, since it allows the production of a given quantity of goods with fewer workers. On the other hand, it results in cheaper products, creating an incentive for consumers to buy more goods, which could increase employment. Yet in practice,

the consumer response to cheaper goods has been insufficient to offset the job losses associated with higher productivity. Just as rapid productivity growth in agriculture has led to fewer jobs on farms, rapid productivity growth in manufacturing has led to fewer jobs in factories.

Higher productivity has thus contributed far more than outsourcing to the decline of U.S. jobs in the tradable sector. Indeed, the share of U.S. employment in manufacturing has been falling steadily at a rate of almost half a percentage point per year for the past 50 years. And the decline in that share from 1990 onward, when global supply chains began to flourish, has not been any greater than it was in the 1960s, when the economy was relatively closed.

Income inequality and high unemployment are serious problems. But Spence's flawed reasoning, which blames them on U.S. trade with emerging economies, will divert policymakers from understanding their true causes—and from devising appropriate responses.

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# Spence Replies

My essay was based on my analysis of trends in employment and value added in the U.S. economy between 1990 and 2008. Having found that the tradable sector generated almost none of the jobs added in the United States during that period, I argued that the shifting structure of the global economy, driven by the growth and changing structure of the emerging economies, is having a major impact on U.S. employment and income distribution. The United States needs to understand those forces and then respond.

The most striking feature of the 18 years that I analyzed is that virtually all the employment growth during that time occurred in the nontradable sector (such as government services and health care). Although the United States may have had a problem with unemployment in the private sector during this time, it did not, as Richard Katz suggests, have employment troubles overall. Absent employment growth in government services and health care, which accounted for almost 40 percent of job gains during that period, higher unemployment numbers could have appeared much earlier—due to the fact that employment dropped considerably in the manufacturing subset of the tradable sector of the economy.

Katz writes that in arguing that tradable-sector jobs disappeared, I failed to recognize that manufacturing represents a greater share of the tradable sector than other industries and that employment dropped more in manufacturing than in any other tradable industry. Katz argues that since manufacturing is the largest segment of the tradable sector and employment fell in manufacturing not because of globalization but because of technological development, my overall analysis is incorrect. Yet it is not true that manufacturing represents the majority of the tradable sector. In 2008, for example, manufacturing jobs comprised fewer than 15 million of the 34.3 million jobs in the tradable sector. Between 1990 and 2008, manufacturing employment did fall, but value added grew and value added per worker grew even faster. But whereas high-value parts of the

supply chain, such as design and marketing, thrived domestically, the lower-value-added parts, such as product and component assembly, tended to move to other countries. Combined with the fact that the nonmanufacturing elements of the tradable sector (such as finance and consulting) grew, these conditions produced essentially no overall growth in the U.S. economy.

According to Katz, I wrongly single out the effects of external factors on U.S. employment and income distribution and believe that economic policies in China and South Korea are to blame for the changes in employment and wage equality in the United States. But I do not fault those countries for harming U.S. jobs and wages. If the United States has a structural or productivity challenge, it is clearly rooted in domestic problems. But these domestic issues are set in an open economy, which means that they are thus subject to the effects of globalization.

Katz next points out that due to technological advancement, productivity growth has generally been higher in manufacturing than in services, meaning that fewer workers are producing more. But manufacturing is not declining in absolute terms; instead, it is declining relatively, as a result of the fact that the service industry is making up a greater share of the total U.S. economy, as is the case when economies experience an increase in income.

Finally, Katz criticizes my suggestions for how to alleviate U.S. unemployment and inequality and wrongly suggests that I advocate protecting jobs, companies, and industries from external competition. In advanced and emerging economies alike, such actions interfere with structural change, productivity, and income growth. Instead, I call for strengthening the competitiveness and inclusiveness of the U.S. economy by improving education to meet the premium on highly educated workers, investing in infrastructure, and reforming the tax structure.

Robert Lawrence, meanwhile, notes that my measurement of value added per employee assesses industry output and that such output does not necessarily translate into purchasing power for workers (although the correlation is high). Ideally, one would measure productivity growth in specific components along value-added chains, but current data can measure productivity growth only at the industry-wide level. When measured this way, it is a combination of two forces: productivity gains in various parts of the value-added chain and shifts in the composition of the domestic component of the value-added chain toward the higher-value-added and higher per capita income components. In manufacturing industries, which have long, relatively complex value-added chains, the shift between 1990 and 2008 was toward higher-value-added components. The manufacture of lower-value-added parts moved abroad, causing a significant amount of the decline in employment.

Lawrence correctly points out that technological innovation has reduced the need for labor and raised productivity across the economy. The U.S. economy is certainly subject to powerful internal technological forces. But globalization is increasingly making its mark. Tracking the growing impact of the global economy on the U.S. market is vital to understanding whether the United States is on a path toward growth and employment—and, if not, what the U.S. government and the business community can do to correct course.

Response

# Point of Order

## Is China More Westphalian Than the West?

## Changing the Rules

AMITAI ETZIONI

G. John Ikenberry asks whether China will buy into the prevailing liberal, rule-based international order, which has been promoted and underwritten by the United States ("The Future of the Liberal World Order," May/June 2011). With regard to one key element of this order, however—the Westphalian norm of sovereignty and nonintervention—he might have inverted the premise. For here, the West has been seeking major modifications that weaken the norm, whereas China has championed the established rule and the international order based on it.

Several leading Western progressives have sought to legitimize armed humanitarian intervention, under the rubric of "the responsibility to protect." Others have gone even further, seeking to legitimize interference in the internal affairs of other countries if they develop nuclear arms, invoking "the duty to prevent." Both concepts explicitly make sovereignty conditional on states' conducting themselves in line with new norms that directly conflict with the Westphalian one. The issue, in other words, is not simply whether China will buy into the existing rule-based order but whether it can be persuaded to support the major changes in the rules that the West is seeking.

The past two decades have seen numerous humanitarian crises. The international community intervened with the use of force in some but not others. Many liberals were particularly troubled when the international community did not act to stop mass killings in the Democratic Republic of the Congo, Rwanda, Somalia, and Sudan, and their concerns led to calls for limitations on sovereignty in order to facilitate such action in the future. The Evans-Sahnoun Commission, an international study group on humanitarian intervention that released its report in 2001, and a 2004 UN secretary-general's high-level panel formulated and promoted the idea that when states do not conduct their internal affairs in ways that meet internationally recognized standards, other states have a right to intervene. This idea has since been referred to in shorthand as "the responsibility to protect." Writing in these pages in 2004, Lee Feinstein

and Anne-Marie Slaughter (who would go on to serve as the U.S. State Department's director of policy planning) called for further scaling back sovereignty by adding "the duty to prevent," which would require countries to prevent other states from obtaining weapons of mass destruction (WMD).

China, in contrast, has consistently opposed all changes to the Westphalian norm about the primacy of national sovereignty. Ever since it abandoned its Mao-era policy of supporting communist and anti-imperialist insurgencies in other nations, Beijing has argued that national governments should be the sole legitimate users of force within their borders, which it holds is, in the words of the Chinese diplomat Wang Guangya, "a universally recognized norm of international law." At the 2000 UN Millennium Summit, then Chinese President Jiang Zemin stated, "Respect for each other's independence and sovereignty is vital to the maintenance of world peace." During the Bosnian war, China was the only country not to vote in favor of the UN resolution authorizing a no-fly zone over Bosnia and Herzegovina. Regarding Rwanda, China argued that any international intervention would require the consent of the Rwandan government. On Darfur, China insisted that no UN peacekeepers be sent without the consent of the government of Sudan. China joined France and Germany in criticizing U.S. President George W. Bush's decision to wage war on Iraq and clearly favors political over military solutions when it comes to the Iranian and North Korean nuclear programs.

Progressive interventionist voices have weakened somewhat recently, not least because, as *The Economist* noted, "the Bush years . . . damaged the intellectual case for intervention." Still, Hillary Clinton promised during her presidential campaign to "operationalize" the responsibility-to-protect doctrine and "adopt a policy that recognizes the prevention of mass atrocities as an important national security interest of the United States, not just a humanitarian goal." And the Obama administration invoked the responsibility to protect in its case for intervention in Libya (although it has been at pains to point out that such intervention will not be a regular occurrence). Before the United States and other Western powers seek to determine whether China can be moved to support changes in the traditional liberal order, therefore, they need to sort out what their own position is.

If the Westphalian nonintervention norm is to be changed, the question arises as to who should decide when violations of national responsibilities have reached the level that justifies an armed intervention and on what criteria the decision will be made. The UN Security Council is often cited as the appropriate forum for such rulings. Thus, when NATO intervened in Kosovo without UN authorization, this action was referred to as legitimate by some but also as illegal. The 2003 invasion of Iraq faced much condemnation because it was not fully authorized by the UN. In contrast, interventions in East Timor and the Democratic Republic of the Congo and the rollback of Saddam Hussein's forces from Kuwait were considered legal because of UN approval.

Reliance on the UN raises familiar issues: the five Security Council members that hold veto power do not include all the current major powers, and many UN members are themselves gross violators

of human rights. But all other potential decision forums have even greater defects, so realistically, the Security Council will remain the authorizing institution of choice for the foreseeable future.

As for what qualifies as a violation that justifies the breaching of sovereignty, the Sudanese scholar Francis Deng has suggested exempting from consideration those nations whose governments "strive to ensure for their people an effective governance that guarantees a just system of law and order, democratic freedoms, respect for fundamental rights, and general welfare." But with the bar set so high, few nations would be ruled out as possible targets.

The Evans-Sahnoun Commission proposed that intervention require:

> a) large-scale loss of life, actual or apprehended, with genocidal intent or not, which is the product either of deliberate state action, or state neglect or inability to act, or a failed state situation; or b) large-scale "ethnic cleansing," actual or apprehended, whether carried out by killing, forced expulsion, acts of terror or rape.

It also recommended that any intervention be based exclusively on humanitarian intentions, be taken as a last resort, use only the minimum force necessary to complete the mission, and have reasonable prospects of success. Such a high bar might win China's support, as reflected in a 2006 statement by China's then UN ambassador, Liu Zhenmin, that supported the responsibility to protect as it pertains to "genocide, war crimes, ethnic cleansing and crimes against humanity" but insisted that "it is not appropriate to expand, willfully to interpret or even abuse this concept."

With regard to the duty to prevent, the problem is whether the development or possession of any type of WMD by states without internal checks on their rulers would legitimate intervention or whether only specific kinds of WMD would qualify. Biological and chemical weapons are much more difficult to detect and control than nuclear ones. Hence, an international regime dedicated to preventing all WMD would have to be much more interventionist than one dedicated, at least initially, to preventing the proliferation of only nuclear arms.

A normative give-and-take with China will be more likely to bear fruit the more it is stressed that the new responsibility to prevent neither justifies forced regime change nor calls for bringing about democracy and enforcing human rights by the use of armed interventions. This means focusing on saving lives and not regime change. The right to life has a special standing, because all other rights are conditioned on it, but it is not conditioned on them.

At the same time that the West seeks to legitimize interventions to protect life, it should reject China's claim that some nonlethal transnational acts, such as communications or educational and cultural exchanges, amount to prohibited interventions in a nation's internal affairs. For instance, China misused the sovereignty argument when it vetoed a 2007 UN Security Council resolution calling for the Myanmar regime to allow unimpeded access to the country to humanitarian workers and release its political prisoners. Such resolutions do not violate traditional conceptions of Westphalian sovereignty, nor do they violate any international laws or shared understandings. On the contrary, they are sound means to gradually build an international community, in which

shared norms develop out of nations and people expressing their appreciation and censure across state lines, just as China often does.

In short, Ikenberry and others are correct to see further incorporating China and other rising powers into the existing liberal world order as a crucial challenge for the decades to come. But liberals need to understand that changing the rules of the game in a progressively cosmopolitan direction will make accomplishing that task even more difficult than it might otherwise be.

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# Ikenberry Replies

Amitai Etzioni's thoughtful response to my essay makes the important point that China's hesitations about the liberal world order center primarily on the ideas that the West has advanced in recent years about liberal interventionism, state sovereignty, and "the responsibility to protect." Etzioni and I do not directly disagree—but we do differ on how to think about the significance of this tension in Sino-Western relations.

The main argument of my essay was that China and other rising non-Western developing states face an international order that is both wide and deep, the product of projects to build systems of global order. One is the Westphalian project, which over the centuries has developed rules and institutions for the management of great-power relations and the operation of the modern state system. The other is the more recent project of building an open and rule-based system organized around free trade, collective security, democratic solidarity, and institutionalized cooperation. Since World War II, this project has incorporated ideas about universal human rights, culminating in the recent emergence of the responsibility-to-protect norm.

Etzioni suggests that the West needs to soften its support for such new interventionist norms so as to entice China to join the existing order. But China already has more than enough reason to be enticed—and little reason to resist. The existing order is easy to join and hard to overturn. Rising states in past international orders never confronted such a deeply rooted and multifaceted system as China does today. This system presents Beijing with both massive constraints and huge opportunities.

China's disagreement with the responsibility-to-protect norm also needs be put in perspective: that norm represents only a tiny aspect of the larger set of global rules and institutions. Indeed, in pushing back against this norm, China is invoking other norms and ideas in the system—most important, Westphalian ones about sovereignty. In doing so, China is being driven further into the existing international order. Moreover, the tension that exists within the international order between norms of state sovereignty and the responsibility to protect should not be surprising, and it is more of a virtue than a defect. Think about the internal politics of Western democracies. In all of them, there are tensions between competing norms, such as social equality and market freedom. But both of these are legitimate norms, and day-to-day politics involves the struggle over them.

It is also important to note that China's position on sovereignty is evolving. Although Chinese leaders initially condemned the principle of the responsibility to protect, they endorsed it at the UN's 2005 World Summit and later reaffirmed that support in UN Security Council Resolution 1674. This year, when the norm was invoked with regard to Libya, China did not veto the Security Council resolution that paved the way for NATO action. Rather than reject the norm, China has attempted to disassociate itself from U.S.-led military interventions aimed at regime change and link itself to UN-led efforts to protect civilians. Chinese leaders realize that if decisions about humanitarian intervention are made in the UN Security Council—a quintessentially Westphalian institution—their country will have some ability to influence the outcomes. And as the world moves to a more multipolar system, countries other than the United States and its Western partners will increasingly be involved in decision-making regarding UN operations—a shift that also gives China incentives to work with the new norm.

Meanwhile, as China grows in geopolitical importance, its own strategic interests relating to interventionism will presumably also evolve. It is understandable that China, as a poor developing country, now sees the erosion of norms of sovereignty as a threatening symbol of American "liberal imperialism." But as it becomes a global power, China will no doubt begin to see new sorts of dangers lurking in its strategic environment, such as weak states and nuclear proliferation. It may not fully embrace the human rights vision behind the evolving norms about state sovereignty, but it will appreciate the ability of the international community to act when these dangers become overwhelming.

Etzioni is correct in noting the tension between sovereignty and interventionism, but most of the Westphalian and liberal norms reinforce one another. The Bretton Woods institutions and the other postwar multilateral economic institutions, for example, are intended to strengthen the ability of national governments to manage and protect their domestic economies. Building a liberal world order does not mean erecting a world government and usurping state sovereignty; rather, it is an agenda for strengthening the fabric of the international system, infusing it with rules, institutions, and other tools with which governments can manage their economies and societies. Liberals should remember, more than they do, that this project is heavily dependent on the stable and well-functioning Westphalian system of states. As I mentioned in my essay, the problems of Hobbes must be solved before the promise of Locke can be realized.

It is in this sense that I agree with Etzioni. Western liberal internationalists and their governments need to remain focused on finding ways for states to navigate the turbulent waters of economic and security interdependence. And in doing this, they should engage China and seek ways to bridge their differences over norms of sovereignty and interventionism. After all, China and the West have no choice but to work within the current framework: there is no alternative world order lurking offstage that is as functional or legitimate as the existing one.

# Recent Books on International Relations

## Political and Legal

G. JOHN IKENBERRY

*Civilization: The West and the Rest*. BY NIALL FERGUSON. Penguin Press, 2011, 432 pp. $35.00.

This enjoyably sprawling history of "the rise of the West," written for a general audience, follows in the footsteps of major works by such scholars as John Darwin, Jared Diamond, William NcNeill, and Douglass North. Like them, Ferguson grapples with the grand puzzle of the modern world: Why did the West, which in 1500 was no more advanced than the other world civilizations—most notably China, India, and Islam—rise up over the following five centuries to amass great power and wealth and come to dominate the world? Ferguson rejects explanations that focus on European imperialism or the uniqueness of geography, climate, or culture. Instead, he argues that Western ascendency was unleashed by the uniquely decentralized, open, rule-based, and competitive character of European politics, economics, and society. Individual chapters look at the role of competition, science, property rights, medicine, consumer society, and the work ethic in distinguishing the West. The book is written with an eye on the rise of China and leaves the reader with a crucial question: Are the ideas and institutions of Western civilization becoming truly universal, or will the rise of non-Western states usher in alternative pathways to modernization and advancement?

*The Justice Cascade: How Human Rights Prosecutions Are Changing World Politics*. BY KATHRYN SIKKINK. Norton, 2011, 342 pp. $27.95.

For centuries, states and state officials were largely immune from prosecution for human rights violations in domestic and foreign courts. But in recent decades, this has changed, and now former or even sitting heads of state are brought before various national and international courts or tribunals. In this impressive study, Sikkink tracks and explains this truly remarkable shift. A dramatic breakthrough occurred in 1998, when General Augusto Pinochet, the former ruler of Chile, was arrested in London on an extradition request by a Spanish court seeking to try him for crimes committed during his military dictatorship. Later, several sitting heads of state—notably, Slobodan Milosevic of Yugoslavia and Charles Taylor of Liberia—were indicted for war crimes. Sikkink traces the evolution in

the reigning orthodoxy about states and human right violations, the result of a series of shifts in international legal standards and practices. It is an inspiring story of the rise and spread of a set of ideas and norms—what she calls a "justice cascade," propelled to a great degree by the tireless efforts of human rights activists in Europe and Latin America.

*Winning the War on War: The Decline of Armed Conflict Worldwide*. BY JOSHUA S. GOLDSTEIN. Dutton Adult, 2011, 400 pp. $26.95.

Major states have not gone to war against one another since their guns fell silent in 1945, the longest great-power peace since the seventeenth century. Building on this observation, this book argues that war in general is on the decline. "More wars are ending than beginning, once ended they are less likely to restart, and the remaining wars are more localized than in the past," Goldstein writes. This good news, he contends, is a result of the international community "doing something right" in trying to tame war. Following the UN's lead, peacekeepers, diplomats, aid agencies, and international organizations routinely intervene in troubled countries. The book narrates a number of UN-sponsored efforts to deal with various armed conflicts—from the Suez crisis in 1956 and Congo in 1960–61 to post–Cold War UN peacekeeping failures and successes in countries such as Cambodia, Rwanda, and Somalia. The book works best as a portrait of the far-flung, underappreciated UN peacekeeping system as it has grown and evolved. But Goldstein does not provide a sustained explanation for why interstate war has declined. Neglecting to dig deeply into the changing sources of violence and insecurity, the book leaves its central puzzle unsolved.

*Weak Links: Fragile States, Global Threats, and International Security*. BY STEWART PATRICK. Oxford University Press, 2011, 352 pp. $99.00 (paper, $29.95).

The conviction that weak states are as great a potential threat to peace as strong states has dominated thinking about U.S. national security since the late 1990s. This superb book provides an important corrective to that flawed view. Patrick takes a close look at the alleged linkages between weak states and various global threats—transnational crime and terrorism, the proliferation of weapons of mass destruction, energy insecurity, and infectious diseases. In each instance, Patrick finds that the connections are complicated and contingent. The weakness of states, as such, is not the problem. For example, Patrick argues that functioning but corrupt states, such as Pakistan, actually provide more congenial bases of operation for terrorists than do collapsed and lawless states. Yet Patrick does not turn the conventional wisdom completely on its head. The case studies do find that corruption, economic distress, a weak rule of law, and poor security provide enabling conditions for transnational threats. Patrick's message to policymakers is not that they should become sanguine about weak and fragile states but that they should avoid false solutions and simplistic doctrines.

*The Dynamics of Democratization: Dictatorship, Development, and Diffusion*. EDITED BY NATHAN J. BROWN. Johns Hopkins University Press, 2011, 344 pp. $65.00 (paper, $30.00).

The study of democracy—how it emerges,

flourishes, and fails—is as old as Aristotle. In the last half century, as democracy has spread around the world, empirical and theoretical inquiry into its sources and prospects has rapidly expanded into a vibrant scholarly field. This volume is an engaging survey of what is known and not known about the causes and consequences of democratization. Theories about this process have evolved, from an early emphasis on the long-term impersonal forces of modernization and economic development to a later focus on leadership, civil society, and the breakdown of authoritarianism. The "third wave" of democratization, which began in the late 1970s, made scholars look more closely at the international diffusion of democratic movements and impulses. More recently, the troubles encountered by some new democracies have drawn attention to the social and economic sources of crisis. Three main lessons have emerged: there is no single path to democratization, the relationship between economic development and democracy is complicated, and a supportive international environment can help, but not ensure, democratic breakthroughs.

## Economic, Social, and Environmental

RICHARD N. COOPER

*The Age of Equality: The Twentieth Century in Economic Perspective*. BY RICHARD POMFRET. Belknap Press, 2011, 296 pp. $28.95.

Pomfret, an Australian economist, uses the rallying cry of the French Revolution—"Liberty, equality, fraternity"—as an organizing principle for this brief but engaging history of the twentieth century, an "age of equality," which followed an age of liberty, from 1815 to 1914, and preceded what he expects to be an age of fraternity in the twenty-first century. His argument is straightforward: the philosophical underpinnings of the United Kingdom's Industrial Revolution emphasized the need for freedom of action from feudal restraints on commerce and, eventually, on political decision-making. Those beliefs became predominant in Europe and North America by 1914, but unfettered capitalism left too many people behind. Marxism, communism, fascism, and non-Marxist social democracy all emerged in reaction to the resulting inequality, producing the great battles of the twentieth century, both within and between countries. By 2000, fascism and communism had failed, and capitalism—tempered by government provision of education, health care, and a social safety net—had won. The collective challenges of the twenty-first century, such as the proliferation of nuclear weapons and climate change, call for an age of fraternity.

*Governing Global Finance: The Evolution and Reform of the International Financial Architecture*. BY ANTHONY ELSON. Palgrave Macmillan, 2011, 288 pp. $95.00.

Drawing on his experience as a senior adviser at the International Monetary Fund, Elson describes and assesses the international financial architecture—not simply the relations among national monetary authorities but also the whole set of official and quasi-official bodies and conventions charged with overseeing cross-border financial transactions. The book recounts past international financial crises, including the most recent one, and tracks

the evolution of thinking about how to respond to them, especially since the debt crisis of the 1980s. The 2008 financial crisis, Elson argues, revealed the international financial system's woeful inability to anticipate breakdowns and minimize their damage. He makes a host of recommendations, some controversial, including imposing a tax on the nondeposit liabilities of systemically important financial institutions, to discourage them from excessively risky leveraging.

*Borderless Economics: Chinese Sea Turtles, Indian Fridges, and the New Fruits of Global Capitalism*. BY ROBERT GUEST. Palgrave Macmillan, 2011, 256 pp. $27.00.

In this highly readable and personal account built on interviews with emigrants from many countries, Guest, business editor of *The Economist*, contends that voluntary emigration almost always benefits the emigrants and usually benefits their countries of origin and destination, too. In recent decades, Chinese and Indian overseas diasporas have played a crucial role in generating rapid growth in their home countries, as their members have created businesses and opened foreign marketing channels. To be sure, international migration also has a dark side, in the form of criminal organizations and terrorist networks that exploit open borders. But Guest argues that immigration is an especially important source of vitality for the United States, which does a remarkably good job of providing a hospitable and productive home for immigrants and their children, compared with other developed countries. In Guest's judgment, this receptiveness will assure that the United States remains number one in the world economy—unless thoughtlessly more restrictive immigration policies take hold.

*Political Parties, Business Groups, and Corruption in Developing Countries*. BY VINEETA YADAV. Oxford University Press, 2011, 288 pp. $99.00 (paper, $29.95).

Corruption is endemic in most developing countries, and it is widely believed to inhibit their economic development. Most people's firsthand experience with corruption usually involves individual government officials or courts, and those interactions are the most frequently studied aspect of corruption. Yadav believes that most studies of corruption have seriously neglected the role of elected legislatures. She argues that legislative procedures strongly influence the extent of corruption, particularly through lobbying by business groups. Her analysis reveals that when a legislature is organized around political parties that can set the policy agenda, determine amendments to legislation, and discipline party members who step out of line, there is significantly more corruption than when parties are weaker and legislators are more independent. This careful empirical work focuses in detail on Brazil and India—large, complex countries with federal structures. But it also draws on evidence from 62 other democracies in the developing world. Yadav finds that contested elections do not eliminate legislative corruption in the form of financial payments made to parties and politicians by business groups to assure policy outcomes favorable to their interests. On the contrary, costly elections create more opportunities for corruption.

*The Atlas of Coasts and Oceans: Ecosystems, Threatened Resources, Marine Conservation*. BY DON HINRICHSEN. University of Chicago Press, 2011, 128 pp. $55.00 (paper, $22.00).

For those who like maps and numbers, this

atlas illustrates the pressures bearing down on the world's coasts and inshore waters and the pressures created, in turn, for people who live near coasts (most of the world's population) and whose livelihoods depend directly or indirectly on the sea. Climate change resulting from human activity is only one threat to coasts and oceans, and not the most imminent one. Massive waste disposal and overfishing have altered marine ecosystems beyond easy repair. Hinrichsen's book also offers some surprising details about the sources and extent of marine pollution: for example, the amount of oil released into the oceans has been declining for several decades, despite a rise in world oil consumption and a sharp rise in offshore production. Nonetheless, national and international attempts to relieve these pressures have lagged way behind the problems. For instance, a protocol to control land-based pollution of the Mediterranean came into force only in 2008, 32 years after European states signed a treaty intended to protect that crucial body of water.

## Military, Scientific, and Technological

LAWRENCE D. FREEDMAN

*The Rise and Fall of Al-Qaeda.* BY FAWAZ A. GERGES. Oxford University Press, 2011, 272 pp. $24.95.

*The Triple Agent: The al-Qaeda Mole Who Infiltrated the CIA.* BY JOBY WARRICK. Doubleday, 2011, 272 pp. $26.95.

Gerges, one of the most astute chroniclers of Islamist radicalism, begins this book with a masterly and trenchant account of the origins of al Qaeda and its decline after 9/11. As he moves into more recent years, the book loses focus, becoming more assertive and less analytic—a victim, perhaps, of recent developments whose impact on global jihadism is difficult to predict, namely, the Arab Spring and the killing of Osama bin Laden. Gerges' main goal is to refute the mainstream "terrorism narrative" that has shaped U.S. policy since 9/11. An exaggerated threat of terrorism has led the United States to engage in disproportionate and inappropriate responses, a tendency Gerges sees continuing with President Barack Obama. The al Qaeda threat undoubtedly lends itself to overblown rhetoric in Washington. But Gerges' core thesis, that the group is in decline, is closer to the mainstream view than he acknowledges.

Analyses of high-level counterterrorism strategy sometimes lose sight of the fact that the "war on terror" comprises a series of individual operations. Warrick, a reporter for *The Washington Post*, narrates an extraordinary story of intrigue and betrayal behind one such effort. Humam Khalil Abu-Mulal al-Balawi, a Jordanian doctor, started out as an "Internet jihadist" whose contribution to holy war was limited to spewing vitriol online. After his arrest by the Jordanians in 2009, he was recruited as a CIA informant. But later that year, Balawi revealed his true loyalty, killing seven CIA officers and his Jordanian handler by blowing himself up as the team welcomed him at a base in Khost, Afghanistan. Warrick shows how the pressure for results led the CIA to take shortcuts when it came to handling an agent who some feared, correctly, was too good to be true.

*A Vulcan's Tale: How the Bush Administration Mismanaged the Reconstruction of Afghanistan*. BY DOV S. ZAKHEIM. Brookings Institution Press, 2011, 335 pp. $32.95.

In this important memoir, Zakheim recalls his surprise on learning, in 2002, that his portfolio as the Defense Department's comptroller and chief financial officer would include coordinating U.S. civilian reconstruction efforts in Afghanistan. The task fell to him because other senior Pentagon officials were preoccupied with planning for the imminent war in Iraq and were losing interest in Afghanistan. The main purpose of the book is to demonstrate the dire consequences of that neglect and how it prevented grand policies from becoming practical actions. Zakheim traces the current travails in Afghanistan to a failure to convert the military successes of late 2001 into political gains that would aid the larger goal of nation building. He also conveys the daily frustrations of trying to make the U.S. policymaking system work sensibly. Zakheim was part of a group of early advisers to presidential candidate George W. Bush—the "Vulcans" alluded to in the title. His memoir nonetheless offers a measured portrayal of the Bush administration's failings and of the personal clashes behind the debates over policy.

*The Most Controversial Decision: Truman, the Atomic Bombs, and the Defeat of Japan*. BY WILSON D. MISCAMBLE. Cambridge University Press, 2011, 192 pp. $85.00 (paper, $24.99).

There is an irony in Miscamble's description of the atom bombing of Japan in August 1945 as "the most controversial decision," as it is well documented that there was barely a decision at all and that the bombing was not particularly controversial at the time. The resources that had gone into the Manhattan Project meant that the weapons were bound to be used when they were ready, especially by an administration determined to explore all means to bring the war with Japan to a speedy end. It became controversial only after the war, as a result of claims, made most notably by the historian Gar Alperovitz, that President Harry Truman and his advisers knew the bombing was unnecessary. Miscamble skewers Alperovitz's argument, countering that there was no reason to suppose that Japan was close to surrender prior to the bombing, that the bombing turned the debate in Tokyo in favor of surrender, and that the grim calculus of war suggested that if the atom bombs had not been used, many more would have died than were killed in Hiroshima and Nagasaki.

*No Sure Victory: Measuring U.S. Army Effectiveness and Progress in the Vietnam War*. BY GREGORY A. DADDIS. Oxford University Press, 2011, 368 pp. $34.95.

A fixation with the unreliable and misleading metrics of body counts and "kill ratios" has long been identified as one of the flaws in the U.S. military effort in Vietnam. When progress could not be measured by territorial gains, there was a temptation to show that U.S. forces were inflicting unbearable losses on the enemy. A focus on winning hearts and minds produced a different set of problems. How could an invading army measure whether civilians felt secure and were not alienated? In this meticulous study, Daddis reviews the U.S. Army's search for a winning strategy in Vietnam and its attempts to

evaluate its performance. Counterinsurgency operations rely on political effects that are intrinsically hard to measure. As Daddis notes, the search for numerical formulas was a poor substitute for a deep understanding of the operational and strategic environment. Yet perhaps the greatest challenge was political, rather than methodological: once one of the military's main objectives became convincing an increasingly doubtful American public that victory was possible, could any metric avoid being distorted?

## The United States

WALTER RUSSELL MEAD

*Class Warfare: Inside the Fight to Fix America's Schools*. BY STEVEN BRILL. Simon & Schuster, 2011, 496 pp. $28.00.

The battle for the United States' future is being fought in its classrooms. *Class Warfare* is a gripping account of the fierce combat between reformers and their opponents—principally the teachers' unions. Although the narrative sometimes loses its thread, Brill generally does a remarkable job of weaving the lives and experiences of students, teachers, and officials into a coherent story. The distance between the education reformers and the business-as-usual unions and bureaucracies that run the public schools disturbs Brill—as it should. The charter school movement and the Teach for America program both rely heavily on young, idealistic teachers who often do extraordinary work for a few years but then burn out. The bureaucracies and the career public school teachers are usually less impressive, but they are in it for the long haul. Neither group alone can consistently deliver strong results for the majority of children over the long term. But the two approaches to education are so different that it is hard to get lifers and drop-ins to collaborate. Brill does not solve this dilemma, but he gives readers a clear view of the evolving relationship between the two forces.

*Reckless Endangerment: How Outsized Ambition, Greed, and Corruption Led to Economic Armageddon*. BY GRETCHEN MORGENSON AND JOSHUA ROSNER. Times Books, 2011, 352 pp. $30.00.

This hard-hitting examination of the role of Fannie Mae in the housing bubble and the U.S. financial crisis features a clear plot, riveting detail, and a sense of burning anger. According to Morgenson and Rosner, during the 1990s and the early years of this century, Fannie Mae's greedy chair and the rapacious mortgage industry cynically manipulated public opinion and Congress, representing steps to ease credit requirements and create complex (and profitable) financial securities as high-minded efforts to bring homeownership within reach of the poor and minorities. The authors allege that an alliance between Wall Street and community groups such as ACORN—mediated by Fannie Mae and blessed by Congress—was responsible for both the real estate bubble and the financial crisis. The GOP can only hope voters buy this controversial thesis, as it makes the financial crash an almost all-Democratic affair. In truth, the full story is more complex. But for readers looking for an introduction to the meltdown, *Reckless Endangerment* is a good place to begin.

*Not in Our Lifetimes: The Future of Black Politics*. BY MICHAEL C. DAWSON. University of Chicago Press, 2011, 232 pp. $26.00.

Many observers hailed President Barack Obama's election as the inauguration of a postracial age in American politics. Formidably well grounded in American political and intellectual history, and brandishing great sheaves of public opinion studies, Dawson disagrees with this hopeful consensus. In particular, he shows that African American and white communities often evaluate the same events in different ways. Ideas considered respectable and interesting, if not uncontroversial, among blacks often seem extreme and eccentric to whites. Although most black clergy, for example, disagree with the Afrocentric theology of Obama's former minister, the now-infamous Jeremiah Wright, they see his views as part of a range of discourse that makes significant contributions to black intellectual and spiritual life. Blacks and whites viewed Hurricane Katrina differently, Dawson shows, with many blacks believing that racism explained the failed government response to the catastrophe and whites less willing to interpret it that way. Although Obama's election made both blacks and whites more optimistic about the future of race relations, Dawson argues convincingly that the road to a truly postracial society remains arduous and long.

*Fed Up! Our Fight to Save America From Washington*. BY RICK PERRY. Little, Brown, 2010, 240 pp. $21.99.

"Oh . . . that mine adversary had written a book," cries Job. Rick Perry, the Texas governor and Republican presidential hopeful, has done exactly that, and his current Republican and potential Democratic opponents are mining it for ammunition. They will find some: Perry returns repeatedly to third-rail issues, such as Social Security and Medicare, and charged terms, such as "Ponzi scheme" and "unconstitutional," litter the text. As a statement of political philosophy, the book could not be clearer—or more welcome to supporters of the Tea Party movement. Perry believes that the neglect of the Tenth Amendment (which he interprets as barring Congress from action except on the limited subjects enumerated in the Constitution) has allowed Washington to get out of control. A Perry administration would be the first U.S. presidency since the nineteenth century to focus on reducing federal power and returning major responsibilities to the states. In foreign policy, Perry's prescriptions are more muscular; he is a Jacksonian, rather than a Jeffersonian like Ron Paul. For a politician's book, *Fed Up!* is unusually candid. Time will tell whether that helps or hurts Perry, as the long campaign grinds on.

*James Madison*. BY RICHARD BROOKHISER. Basic Books, 2011, 304 pp. $26.99.

James Madison was among the most secretive of the Founding Fathers; Brookhiser's engaging biography gives readers a deeper understanding of who he was and what he thought. Brookhiser clearly shares many of the criticisms historians have long made of Madison's fumbling leadership in the White House—blaming Madison, for example, for the feckless trade embargo enacted during the Jefferson administration, in which Madison served as secretary of state. But for Madison the constitutionalist and Madison the party manager, Brookhiser

has nothing but praise. In particular, he credits Madison with understanding that factions and parties were a positive force in a young democracy. That insight made him a much better politician than rivals who disapproved of partisanship on principle.

# Western Europe

ANDREW MORAVCSIK

*The Triumph of the Dark: European International History, 1933–1939*. BY ZARA STEINER. Oxford University Press, 2011, 1,248 pp. $65.00.

This sequel to *The Lights That Failed*, Steiner's classic account of Europe in the 1920s, narrates the following decade's diplomatic history right up to the brink of war. Its subtle, deceptively straightforward conclusions are firmly grounded in judiciously selected facts and a vast secondary literature. The League of Nations was weak, but hardly responsible for war: in the mid-1930s, no international institution could have contained the intense pressures of economic depression and dictatorship. Adolf Hitler was a single-minded gambler who calculated his chances precisely, launching a risky attack in the hope of exploiting a window of opportunity before his more powerful enemies rearmed. Democratic societies were split by deep partisan and social divisions that impeded a more timely response to the threat. Hitler, Joseph Stalin, and the West all opportunistically sought to buy time before the inevitable conflict. (Among those efforts, the Nazi-Soviet pact stands out primarily because it was more successful than others, at least temporarily.) This book is destined to become the standard reference on this period.

*Inside the Radical Right: The Development of Anti-Immigrant Parties in Western Europe*. BY DAVID ART. Cambridge University Press, 2011, 288 pp. $90.00 (paper, $25.99).

Why do radical right-wing parties with an anti-immigrant message succeed in some western European countries but fail in others? Why do the citizens of Belgium, Germany, Spain, Sweden, and the United Kingdom seem more resistant to nationalist appeals than their counterparts in France, Italy, and the Netherlands? Analysts have suggested a number of variables, including electoral rules, immigration levels, and the ability of certain right-wing parties to craft neoliberal economic appeals. Art's book concentrates on another factor: the ability of the parties to recruit and retain leaders and members who are reassuringly educated, experienced, and moderate. For this, they rely on long-standing political subcultures, built on historical memories and prevailing social norms. The rigor of Art's analysis may be open to debate, but his book is a useful reminder of the tremendous diversity in how western European societies face modern political challenges.

*The Evolution of the European Convention on Human Rights: From Its Inception to the Creation of a Permanent Court of Human Rights*. BY ED BATES. Oxford University Press, 2011, 608 pp. $170.00.

The conviction that basic human rights should be adjudicated internationally helps define modern European political culture. The most successful realization of this principle is the European Convention on Human Rights. Founded in 1950, this international legal regime can overturn national laws if they violate regionally recognized human rights standards. Although

governments and domestic courts retain considerable autonomy in deciding precisely how to implement the convention, their overall record of compliance is good. Among the practices it has reformed are the United Kingdom's treatment of gays in the military, judicial procedures in Italy, and the adjudication of children's rights in Belgium. In the best single history of this remarkable system, Bates describes its evolution from a bulwark against totalitarianism to a framework designed to encourage reform and block extreme acts of government malfeasance—and, in recent years, to a tool for improving (and, to some extent, homogenizing) national human rights enforcement.

*Material Nation: A Consumer's History of Modern Italy*. BY EMANUELA SCARPELLINI. Oxford University Press, 2011, 352 pp. $65.00.

Foreigners associate Italy with the grandeur of its art and the simplicity of *la dolce vita*. Yet anyone who has lived there knows that Italians, like people everywhere, are materialists at heart. The desire to consume spurs the crassness and corruption, as well as the creativity, that are typically Italian. Despite its reputation for bureaucratic incompetence and peripheral poverty, Italy is one of the world's great economic success stories, rising from postwar penury to become a great industrial powerhouse. Scarpellini observes that it was Italian, rather than American or French, craftsmanship that truly democratized luxury, spawning such brands as Armani, Ferragamo, and Gaggia. Yet many Italians, glued to television sets and shopping in supermarkets, have sunk to the cultural lowest common denominator. This book's heavy academic prose and plainly descriptive style do not quite capture the paradoxical coexistence of beauty and ugliness that is modern Italy. But *Material Nation* nonetheless gives readers a fresh perspective on this endlessly fascinating country.

*The Future of Transatlantic Relations: Perceptions, Policy, and Practice*. EDITED BY ANDREW M. DORMAN AND JOYCE P. KAUFMAN. Stanford University Press, 2011, 336 pp. $70.00 (paper, $24.95).

This volume's recent histories of NATO are potted, and its presentation of international relations theory is rudimentary and at times just plain wrong. Yet the chapters on individual countries are insightful. They demonstrate that major Western powers have divergent threat perceptions and priorities. Of course, since the end of the Cold War, almost every book on NATO has made that observation. Yet all of them also conclude, as does this book, that there is no viable alternative to cooperation within NATO—a fact made evident by the relative success of the organization's intervention in Libya. To paraphrase Winston Churchill on democracy, NATO is the worst form of transatlantic military cooperation, except for all the others.

## Western Hemisphere

RICHARD FEINBERG

*The North American Idea: A Vision of a Continental Future*. BY ROBERT A. PASTOR. Oxford University Press, 2011, 288 pp. $24.95.

Not every author admits to advocating a proposition "whose time has not yet arrived." Pastor, a master scholar-practitioner,

concedes that since 9/11, Canada, Mexico, and the United States have been slipping backward, away from the shared "spirit of community based on interdependence" that he advanced in his 2001 book, *Toward a North American Community*. The United States, in particular, has fortified its border rather than expand on the North American Free Trade Agreement. Undeterred, Pastor presses his case with intelligence and good humor, marshaling data to demonstrate that all three nations would be better off adopting cooperative solutions to common problems. Public opinion polls suggest that the citizens of Canada, Mexico, and the United States are ready for greater regional cooperation. To deflect "sovereignty-zealots" and other myopic opponents of broader integration, Pastor calls on leaders to articulate a hopeful vision of integration while making practical progress on immediate problems. His book constitutes a brave master plan, a bright vision to challenge and enlighten future generations.

*Global Brazil and U.S.-Brazil Relations. Independent Task Force Report No. 66.* CO-CHAIRED BY SAMUEL W. BODMAN AND JAMES D. WOLFENSOHN. Council on Foreign Relations, 2011, 109 pp. $15.00.

*Starting Over: Brazil Since 1985.* BY ALBERT FISHLOW. Brookings Institution Press, 2011, 236 pp. $34.95.

The Council on Foreign Relations' intelligently crafted new report on U.S.-Brazilian ties provides an excellent survey of the many economic, social, and diplomatic issues that crowd the bilateral agenda. Brazilian diplomats will be especially pleased, as the report strives to present the Brazilian perspective, suggesting that if only the United States were more attentive and respectful, relations would soar. Others have argued that U.S. diplomats have, in fact, repeatedly sought to engage Brazil, only to be rebuffed by a foreign ministry that harbors an essentially competitive view of the relationship. The report does gently chastise Brazil for its trade protectionism and its soft-pedaling on international human rights. But it generally assumes that U.S. and Brazilian interests overlap and urges the United States to welcome and even promote Brazil's rise.

Fishlow's *Starting Over* expertly chronicles Brazil's comprehensive transformation: the democratic consolidation after the end of military rule in the 1980s, the achievement of economic growth and political stability, the significant social advances, and the nation's growing international influence. During the past three decades, Brazil has been blessed with superior presidential and technocratic leadership, high commodity prices, and good economic policies, including effective antipoverty programs benefiting some 45 million Brazilians. Still, Fishlow, a foremost analyst of Brazil for more than 40 years, recognizes the many challenges that remain, including raising national savings, tightening fiscal spending, and building a better-educated work force. Rather more so than the Council on Foreign Relations study, Fishlow is skeptical of Brazil's diplomatic activities in the developing world, questioning, for example, whether its "rhetoric still exceeds concrete gains." The country's foreign ministry, he advises, should reconsider its priorities and focus more on strengthening relations with Washington.

*Recent Books*

*Mexico and Its Diaspora in the United States: Policies of Emigration Since 1848*. BY ALEXANDRA DELANO. Cambridge University Press, 2011, 304 pp. $90.00.

One sign that national barriers continue to fall at an accelerating pace is the growing willingness of governments to reach out to diaspora communities. U.S. Secretary of State Hillary Clinton recently launched the International Diaspora Engagement Alliance, encouraging immigrants living in the United States to connect with their homelands. Meanwhile, the Mexican Ministry of Foreign Affairs has dropped its traditional passivity and begun engaging Mexican American communities throughout the United States. Delano well describes how the Mexican government has shifted from a powerless "nonintervention" posture to a more assertive "*sí, se puede*" ("yes, we can") strategy, whereby diplomats regularly meet with Mexican American leaders and, what is more controversial, encourage Mexican Americans to access social services funded by U.S. taxpayers. Acting more cautiously, Mexico has not encouraged its diaspora to lobby on behalf of the country's foreign policy goals, fearing a nationalist backlash within the United States. Delano's sophisticated analysis of Mexico's pro-diaspora programs makes for important reading, as it reveals not only major shifts in U.S.-Mexican relations but also the worldwide crumbling of traditional notions of national sovereignty.

*The United States and Cuba: Intimate Enemies*. BY MARIFELI PÉREZ-STABLE. Routledge, 2010, 208 pp. $135.00 (paper, $39.95).

A Cuban American sociologist, Pérez-Stable, expertly takes readers through the many twists and turns of U.S.-Cuban relations since Fidel Castro and Che Guevara marched into Havana in 1959. She prefers U.S. policies of engagement and dialogue, although she recognizes that neither conciliation nor confrontation has produced great breakthroughs, faulting both Castro and his enemies in the hard-line exile community for the failure of attempts at rapprochement. Pérez-Stable correctly emphasizes the poor performance of the Cuban economy and holds out some modest hope that Raúl Castro, now in power, will balance political and economic goals more effectively than his older brother did. Accompanying the main text of the book is a superb essay by the Mexican scholar Ana Covarrubias examining the falling-out between the Castro regime and Mexico, which was once socialist Cuba's most loyal ally in the Western Hemisphere. Whereas Cuba stuck with its one-party socialism, Mexico became more democratic and capitalist, and Mexican business executives finally tired of Cuba's arbitrary business practices. Unfortunately, the book lacks a solid theory of international relations or a fully delineated ideological perspective that would lend more clarity to its detailed narrative.

*China Engages Latin America: Tracing the Trajectory*. EDITED BY ADRIAN H. HEARN AND JOSÉ LUIS LEÓN-MANRÍQUEZ. Lynne Rienner, 2011, 325 pp. $65.00.

China has a coherent strategy in Latin America, but Latin America is most decidedly not responding in kind, the co-editors of this volume contend. The Chinese are investing primarily in natural resource extraction and flooding Latin

American markets with cheap industrial goods, thus shifting bilateral trade balances in China's favor. Meanwhile, Latin American manufacturers are suffering, and the region's economies are becoming overly dependent on commodity exports. Strong chapters on Argentina, Brazil, Mexico, and Venezuela survey the disjointed reactions of local industries to the Chinese onslaught and detail how bureaucratic politics in each country have prevented Latin American governments from helping the private sector deal with the challenge. Paradoxically, the shared Sino-Latin preference for state-directed economies, despite suggesting ideological convergence, can generate clashes between competing economic nationalisms. All the more urgent, the editors persuasively argue, is the need for intraregional dialogues on industrial strategies, environmental strategies, and financial transparency.

# Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

*Moscow, the Fourth Rome: Stalinism, Cosmopolitanism, and the Evolution of Soviet Culture, 1931–1941*. BY KATERINA CLARK. Harvard University Press, 2011, 432 pp. $35.00.

"Cosmopolitan" is not the first adjective that comes to mind when thinking of culture in the Stalin era. But even the nightmare of totalitarianism can be complex, and Clark traces the efforts of regime-blessed Soviet cultural figures of the 1930s to foster a "transnational fraternity" with leftist European artists and intellectuals, comrades-in-arms against fascism who were enamored of Marx and fascinated by the Soviet "experiment." It was something of a two-way street, with Stalin, very much a hands-on impresario, allowing the import of Western film and literature, as long as the cumulative effect was to give his political vision imperial reach. As a result, for much of the decade, the exchange of ideas about theater, film, literature, journalism, and architecture was richer and more intense than one might have thought. As Clark demonstrates in this masterful tour of trends in Soviet culture and their echoes in Europe, the modified version of universalism tolerated by Stalin placed the Soviet Union at its center, and at the Soviet Union's center stood Moscow—the site and symbol of centralized Soviet power.

*The Politics of Inequality in Russia*. BY THOMAS F. REMINGTON. Cambridge University Press, 2011, 234 pp. $90.00 (paper, $29.99).

Convergence theory, which imagined that the two Cold War superpowers were growing more alike in actions and character, never held water. But in one important respect, Russia and the United States have converged in the post–Cold War period: among advanced countries, the two are in a class by themselves when it comes to economic inequality. After comparing the levels of income inequality among Russia's regions, Remington concludes that the political dynamic in each is an important factor in determining economic disparities. Surprisingly, the

more democratic a region is, the greater its inequality. Yet at the same time, more democratic regions also enjoy stronger economic growth and lower poverty rates. Remington sees all three outcomes as the result of the greater autonomy, shared sacrifice, and opportunities for partnerships that exist in more pluralistic settings. The vast literature on democracy and economic inequality, well sampled by Remington, reveals a complex relationship. Democracy's effect on inequality remains ambiguous. The damaging impact of inequality on democracy, however, does not.

*In Search of Lost Meaning: The New Eastern Europe*. BY ADAM MICHNIK. University of California Press, 2011, 248 pp. $29.95.

In special cases, one closes a book with the mind churning, stirred by the arguments within. In still rarer cases, one sets down the book and is moved by the spirit and character of its author. This is one such book. Michnik, a prominent editor and a key figure in Poland's pre-1989 democratic opposition, writes with grace and simplicity. With a stunning, gentle steeliness, he rues developments in Poland since the 1989 revolution, "when the fight for freedom ended and the time of divisions and power struggles began." His principal disgust is reserved for the "mudslingers"—on the right and the left, at home and among the diaspora—who hurl accusations against those, such as the dissident poet Czeslaw Milosz and the Solidarity co-founder Lech Walesa, whose courage and achievements they seek to diminish. What distinguishes Michnik is his passion for dialogue, his abhorrence of revenge, and his willingness to find worth in his political adversaries.

*Terror and Greatness: Ivan and Peter as Russian Myths*. BY KEVIN M. F. PLATT. Cornell University Press, 2011, 330 pp. $45.00.

All countries spin their national myths around heroes. Ivan the Terrible and Peter the Great, however, echo in Russian society less as heroes than as avatars, reflecting the outer limits of Russia's traumas. Platt treats the way Russian historians, writers, and artists since the early nineteenth century have tried to come to terms with the legacy of these overpowering figures—sometimes merging Peter's "greatness" and Ivan's "terror" into a single, reinforcing unity and sometimes treating those qualities as polar opposites. Their struggle, as Platt traces it—from Nikolai Karamzin's seminal early-nineteenth-century history of Russia, through Ilya Repin's portrait of a horror-stricken Ivan holding the son he just murdered, to Stalin's remaking of the two tsars into founders of Russian great power, to the use of Peter's image to sell chocolates, cigarettes, and vodka in the 1990s—reflects the ambivalent, at times tortured, standing Ivan and Peter have in the country's collective identity.

*Worlds Apart: Bosnian Lessons for Global Security*. BY SWANEE HUNT. Duke University Press, 2011, 296 pp. $32.95.

The Bosnian tragedy, like so many international conflicts, demonstrated the harm decision-makers can cause when they have no firsthand knowledge of conditions on the ground. Hunt spent much of her four years as U.S. President

Bill Clinton's ambassador to Austria attempting to intercede in the conflict. In hindsight, she writes, "wretched mistakes were made by well-intentioned people who were distracted, lost their nerve, and misjudged actors and events." Part apology, part cri de coeur, her book culminates in a catalog of specific lessons applicable to much more than the Bosnian experience. She advises potential intervenors to "test truisms" and to locate allies and partners within the local community rather than rely on outsiders who reside in the Pentagon or in sanctuaries protected by sandbags and concrete barriers.

*Oil of Russia: Past, Present, and Future*. BY VAGIT ALEKPEROV. East View Press, 2011, 525 pp. Free online.

One does not expect the CEO of a major oil company to write a detailed history of the industry going back to antiquity. But that is what Alekperov, the president of Lukoil, the second largest of Russia's ten key oil companies, has done. A full third of this lengthy book is devoted to the history of the industry from before Peter the Great's reign through the nineteenth century, at a level of detail found in no other English-language publication. The discussion of the early years of Bolshevik rule through Lenin's five-year plans is particularly rich and balanced, but Alekperov pays relatively little attention to the period stretching from the end of World War II to the fall of the Soviet Union. Unsurprisingly, he has general praise for present-day Russian energy policy and prospects. Still, this does not detract from the wealth of detail he provides, detail that will interest even the most informed student of the subject.

# Middle East

L. CARL BROWN

*A New Voice for Israel: Fighting for the Survival of the Jewish Nation.* BY JEREMY BEN-AMI. Palgrave Macmillan, 2011, 256 pp. $26.00.

*The Unmaking of Israel.* BY GERSHOM GORENBERG. Harper, 2011, 336 pp. $25.99.

Although different in style and subject, these two books reach a similar conclusion: only a two-state solution can secure an Israel that is both Jewish and democratic. Ben-Ami begins with the story of his family's roots in militant, expansionist Zionism. But as a young man, his own concern for Israel was overshadowed by his active involvement in U.S. domestic politics. Only later, while living in Israel and coming into contact with Palestinians, did he have an epiphany: Israel needed a policy of actively seeking peace with the Palestinians, and Americans needed to be not just reflexively pro-Israel but pro-peace as well. To achieve this goal, Ben-Ami founded the lobbying organization J Street in 2008. His account of the group's efforts to date is enriched by his knowledge of how lobbies fit into the U.S. political system.

Gorenberg focuses more squarely on Israel itself, weighing the different ways the Israeli state and Israeli society deal with Palestinians, those who are citizens of Israel as well as those who live under Israeli occupation. In both cases, Gorenberg finds that Israel fails to live up to liberal democratic principles. Although criticizing Israel can be politically risky—more so in the United States than in Israel, ironically—these two books propose a "tough love" U.S. approach to helping Israel fulfill the Zionist dream of a democratic and liberal Jewish state living in peace with its neighbors. If not now, when?

*Playing With Fire: Pakistan at War With Itself.* BY PAMELA CONSTABLE. Random House, 2011, 352 pp. $28.00.

*Pakistan: Beyond the "Crisis State."* EDITED BY MALEEHA LODHI. Columbia University Press, 2011, 320 pp. $24.95.

Constable, a veteran *Washington Post* reporter, tells a somber tale of honor killings, justice denied, Islamists and terrorists, and a feudal elite avoiding taxation. In this portrait of Pakistan, the country's heavy-handed military and its elusive Inter-Services Intelligence agency loom large, as does a tendency throughout society to see the outside world in terms of crude conspiracy theories. The dysfunction is so debilitating that at one point, Constable suggests Pakistan should be seen not as a "failed state" but as a "fake state."

*Pakistan: Beyond the "Crisis State"* is a very different book. It is the work of 19 Pakistani experts, including three former career diplomats, three journalists, a former brigadier general, a historian, a novelist, and a number of social scientists and lawyers. Most of the contributions are substantive, but not easy reads: too much data and not enough interpretation. The glossary of the many acronyms and abbreviations used throughout the book extends to more than four pages. Still, the hard slog is rewarding. The many specialties assembled assure the kind of thorough coverage not possible for any single author. The Pakistani roots of the authors might be said to assure a more

insider picture, although their otherness can be exaggerated: 11 received their graduate training in the United States, and six now work there. Taken together, their contributions are in no way an apologia for Pakistan's flaws, and their clear-eyed analyses cover the same deficits deplored by Constable and many others. Still, this collected work is more upbeat about Pakistan and its prospects than is Constable's book. Both will help readers more clearly see Pakistan in all its complexity.

*Rock the Casbah: Rage and Rebellion Across the Islamic World*. BY ROBIN WRIGHT. Simon & Schuster, 2011, 320 pp. $26.99.

In a long career covering this troubled region, Wright has consistently pictured its politics as more nuanced and more positive than most other observers. *Rock the Casbah* continues in that tradition, opening with a chapter on the beginnings of the Arab Spring in Tunisia and Egypt and then tracing the origins of what Wright dubs a "counter-jihad," in which Muslims have turned their backs on the excesses of both al Qaeda and the theocrats in Iran. Wright also takes on subjects that seldom figure in high politics—hip-hop, standup comedians, and poetry, as well as the new technology that produces what she calls "satellite sheikhs and YouTube imams." She emphasizes throughout the important role of Muslim youth, who compose more than half the region's population and even higher proportions in several Muslim-majority countries. Although not overlooking setbacks—such as the quickly squelched movement protesting the 2009 Iranian presidential election and the stalled reform movements in Bahrain and Yemen—Wright's admittedly "counter-intuitive" interpretation sees the promise of progress toward a democratic modernity in the Muslim world. U.S. policies addressing these ongoing changes, she concludes, have been behind the curve.

*America's Challenges in the Greater Middle East: The Obama Administration's Policies*. EDITED BY SHAHRAM AKBARZADEH. Palgrave Macmillan, 2011, 284 pp. $85.00.

The experts collected here appraise U.S. policy toward the vast array of countries from the Maghreb to Afghanistan, covering essentially the first two years of Barack Obama's presidency and comparing his performance and policies with those of his predecessor. More comprehensive than most such works, the book includes the often overlooked Central Asian states and Somalia but gives short shrift to Syria, Sudan, and Yemen and ignores Lebanon altogether. Many of the chapters address the tension between the urge to promote democracy and the necessity of dealing with existing regimes. Although most of these analyses of U.S. Middle East policy were apparently completed before the onset of the revolutions now shaking the Arab world, they are still useful in understanding what changed, and what did not, during the period of transition from the final years of the Bush administration to the beginning of the Obama era. Taken together, they suggest that by avoiding George W. Bush's unilateralist aggressiveness, Obama has implemented a conservative foreign policy that has muted democracy promotion and worked within the existing system.

*Recent Books*

# Asia and Pacific

ANDREW J. NATHAN

*Chinese Justice: Civil Dispute Resolution in Contemporary China*. EDITED BY MARGARET Y. K. WOO AND MARY E. GALLAGHER. Cambridge University Press, 2011, 432 pp. $99.00.

According to the contributors to this volume, the Chinese government tries to channel citizen disputes away from protests and petitions and into the courts, which practice both mediation and adjudication. But few citizens actually use the courts, and those who do are often dissatisfied with the outcome. Judges, who are civil servants, are graded on a point system that motivates them to check pending decisions in advance with higher courts, lest they lose points for making mistakes. Citizens seeking justice often take their cases to the media, the Internet, and the street, and courts often respond to such pressure with decisions favoring those litigants who have pushed the hardest. Overseeing the entire court system is the Supreme People's Court, which maintains a good deal of independence because its work is regarded as too technical for either the ruling party or the legislature to manage. Yet the highest court instructs lower-court judges that their primary responsibility is to support social stability, rather than defend citizen rights. It has also resisted attempts by pioneering lawyers to use the constitution to overrule government regulations. It is no surprise, then, that Chinese citizens remain unconvinced that they can find justice in court.

*Lovesick Japan: Sex, Marriage, Romance, Law*. BY MARK D. WEST. Cornell University Press, 2011, 272 pp. $29.95.

West, a law professor, examines Japanese society through an unconventional prism—court judgments on crimes involving love and sex. He is interested in both the reasoning of judges and the behavior of perpetrators and victims. It turns out that many Japanese judges hold beliefs that would be out of the mainstream in the United States: that paying for sex is akin to paying for health treatments such as massage therapy, that intercourse normally involves the use of force, that a man should be able to decide single-handedly whether his child is to be aborted, and that love is a dark emotion that can sometimes excuse murder. The people who appear before the courts seem to suffer from an epidemic of sexual isolation, loveless marriages, stalking, murder, and suicide. It is hard to be sure what those extreme cases say about Japanese society in general. But West convincingly links them to broader social problems, such as low birthrates and rising divorce rates.

*Beyond the Middle Kingdom: Comparative Perspectives on China's Capitalist Transformation*. EDITED BY SCOTT KENNEDY. Stanford University Press, 2011, 280 pp. $65.00 (paper, $22.95).

With this book, China joins the flourishing scholarly literature on "varieties of capitalism." The country resembles Japan, South Korea, and Taiwan in its use of a state-controlled financial system to channel investment to favored industries but differs by imposing sink-or-swim conditions on tens of thousands of lower-tier companies. Not unlike Brazil and

France, China protects big, well-connected firms—but in China, the state directly owns those companies. China is so big that the central government's efforts to consolidate enterprises in some sectors (including the automobile industry) have been frustrated by powerful provincial governments, which has not happened in *dirigiste* economies with smaller populations. As Margaret Pearson puts it in her contribution, China's adoption of capitalism has been "superbly ambivalent." China is capitalist but does not have what Americans would call a free-market system. In all, China has more in common with large developing countries, such as Brazil and Indonesia, than with states in any other category, which suggests that the China miracle may face similar limits to growth.

*Coming to Terms With the Nation: Ethnic Classification in Modern China.* BY THOMAS S. MULLANEY. University of California Press, 2010, 256 pp. $49.95.

How did the more than 400 ethnic identities discovered by China's first modern-era census, conducted in 1953–54, become the 55 national minority groups officially recognized today? Mullaney has discovered the archives of the Yunnan office of the Ethnic Classification Project and has interviewed some of its surviving members, allowing him to reflect on modern state making and identity creation. Yunnan is the southwestern province where almost half the classified minority groups reside. Ironically, the young communist ethnologists dispatched by Beijing in 1954 to "scientifically" classify the groups used a linguistics-based system that, unbeknownst to them, was designed in the early twentieth century by an officer in the "imperialist" British army. In the process, they ended up creating some groups that had never actually existed. But in the decades since, the state has taught the minorities to accept the official categories, and today they are socially real.

*Water: Asia's New Battleground.* BY BRAHMA CHELLANEY. Georgetown University Press, 2011, 400 pp. $29.95.

Owing to growing populations, richer lifestyles, and government mismanagement, water is desperately scarce in Asia (a region defined in this book as including much of the Middle East). Climate change will threaten supply more in Asia than anywhere else, potentially curbing the region's economic growth. Complicating matters further, much of the region's water comes from contested areas. Tibet, for example, is the biggest regional source, supplying water to 11 countries. Detailing a number of ecological and economic risks, as well as threats to Tibetan spiritual and cultural life, Chellaney criticizes plans China reportedly has to divert water from and build hydroelectric dams on the upper reaches of the Brahmaputra River, which runs into India and Bangladesh. Ranging widely across the region, this forcefully written study warns of a growing risk of interstate conflicts over water. The only way to avoid such outcomes, Chellaney argues, is to adopt a cooperative, rule-based approach to water management—a hard sell for sovereign states.

*Legitimacy Crisis in Thailand.* EDITED BY MARC ASKEW. Silkworm Books, 2010, 340 pp. $35.00.

The Thailand- and Singapore-based contributors to this volume diagnose

what ails Thailand with clinical clarity. According to Michael Montesano, two significant structural flaws are the growth of the income gap since the 1997–98 Asian financial crisis and an unresponsive, overcentralized local administrative system. Those factors—along with an excessively powerful monarchy and the rise of a Thai version of Peronism centered around former Prime Minister Thaksin Shinawatra—led directly to the current crisis, which began with a 2006 military coup that drove Thaksin from power and climaxed with deadly riots in Bangkok in 2010. Rural dissatisfaction fed Thaksin's Red Shirt movement; vested interests supported the countervailing, pro-monarchy Yellow Shirt movement, motivated by an atavistic nationalist fervor. The courts, the media, and the military were all drawn into the battle. The crisis is now entering its sixth year, with all the main political parties delegitimized and the king in poor health. What once seemed to be a promising parliamentary democracy looks set for a long period of trouble.

*Where China Meets India: Burma and the New Crossroads of Asia*. BY THANT MYINT-U. Farrar, Straus and Giroux, 2011, 384 pp. $27.00.

Thant, a former UN official, interweaves reflections on the past and future of Myanmar (also known as Burma) with a sharply observed account of his travels on both sides of the country's borders with India and China. Myanmar is historically and culturally close to India, but trade between the two countries is surprisingly limited and their political ties are thin. By contrast, the boom in China's Yunnan Province has boosted Myanmar's economy and brought the country closer to China, which covets a pathway to the Bay of Bengal, an important shipping hub. According to Thant, the military regime in Myanmar has a firm grip on most of the country, and sanctions have served only to deprive Western democracies of any influence. In his view, Myanmar's future is roads, railways, pipelines, and hydropower transmission lines, accompanied by a consumer revolution that will make the country "China's California."

# Africa

NICOLAS VAN DE WALLE

*Sharpeville: A Massacre and Its Consequences*. BY TOM LODGE. Oxford University Press, 2011, 256 pp. $29.95.

On March 21, 1960, police in Sharpeville, South Africa, shot hundreds of people protesting laws that restricted the movement of blacks. Sixty-nine protesters died, and the massacre became an iconic moment in the struggle against apartheid. Relying on fascinating archival testimonies of demonstrators—but little from the police—Lodge explains that the protests had been organized by the Pan-Africanist Congress, which was then at the peak of its influence in the anti-apartheid movement. The PAC was slowly displaced by its rival, the better-organized African National Congress, led by Nelson Mandela. Lodge argues convincingly that the major effect of the Sharpeville massacre was international. It galvanized an international civil-society coalition against the white minority government in South Africa, leading directly to the regime's

first major diplomatic defeat: its exclusion from the British Commonwealth in 1961. Yet Lodge also observes that in the short term, the massacre consolidated minority rule. The South African government used the threat of black violence to bolster its legitimacy with whites and justify its repressive practices.

*Warfare in Independent Africa*. BY WILLIAM RENO. Cambridge University Press, 2011, 294 pp. $85.00 (paper, $27.99).

This accessible survey of African wars in the postcolonial era rightly emphasizes internal conflicts, which have caused more violence in the region than interstate wars. Reno tracks the changing motivations of domestic rebellions, from anticolonial movements to reformist rebels who sought to build stronger state structures after independence, to contemporary warlords, such as those in the Democratic Republic of the Congo and Sierra Leone, who fight over resources but lack a programmatic agenda. Reno ends the book with a somewhat underdeveloped argument, suggesting that the kind of reformist rebellions led by Yoweri Museveni in Uganda and Paul Kagame in Rwanda are less likely today because of the declining influence of Marxist ideas and the increasing weakness of state structures. The next generation of rebels, he argues, are more likely to be motivated by narrower, more instrumental objectives and will be less keen to establish political order.

*Child Soldiers: Sierra Leone's Revolutionary United Front*. BY MYRIAM DENOV. Cambridge University Press, 2010, 246 pp. $85.00 (paper, $29.00).

The estimated 100,000 soldiers under the age of 18 currently fighting in African conflicts have gained notoriety in recent years, notably through movies, such as *Blood Diamond*. One of the great merits of Denov's book on the civil war in Sierra Leone is her refusal to either mythologize or demonize that war's child soldiers as she meticulously chronicles their abduction by rebels (almost invariably the method of recruitment), their experiences during the war, and their attempts to reintegrate into society after the conflict ended in 2002. Through interviews with them, Denov shows how some were horrified by the violence but reveled in the power over civilians their guns afforded them. She criticizes the existing literature for focusing almost entirely on male child soldiers, even though a large proportion are girls, many of whom have been victims of systematic sexual violence at the hands of fellow soldiers and commanders. She reports that female child soldiers also remain largely ignored by donor-funded disarmament, demobilization, and reintegration programs.

*Chocolate Nations: Living and Dying for Cocoa in West Africa*. ÓRLA RYAN. Zed Books, 2011, 176 pp. $107.95 (paper, $22.95).

Small farmers in West Africa produce most of the world's cocoa and sell it at low prices to big companies such as Cadbury and Mars, who transform the beans into chocolate. Ryan focuses on Ghana and Côte d'Ivoire, the two countries that together produce half the world's cocoa output. Large numbers of West Africans rely on cocoa for their livelihoods, she shows, and politicians have long used revenues tied to cocoa exports to retain their holds on power. Reformers have

expressed concern about industry practices, and Ryan ably discusses such issues as child labor on cocoa farms and the debates around free trade. She argues that an even greater source of concern is the long-term environmental sustainability of current approaches to cocoa production, and she advances the notion that chocolate prices might spike in the not-too-distant future.

*Intervention as Indirect Rule: Civil War and Statebuilding in the Democratic Republic of Congo*. BY ALEX VEIT. Campus Verlag, 2010, 300 pp. $49.00.

With around 20,000 troops and an annual budget in the billions of dollars, the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) is easily the most ambitious and costly peacekeeping project in Africa. But the effort remains largely unstudied, so Veit's book fills a void. He argues that like previous state-building missions in the region, MONUC lacks the legitimacy and capacity to act alone. It has mostly avoided relying on the antidemocratic intermediaries, such as local chiefs and "big men," that central authorities depended on in the past, but has failed to adequately replace them with local or international nongovernmental organizations. The resulting jumble of international organizations, warlords, nongovernmental organizations, and local civil-society actors has combined with the remnants of the Congolese state to fashion a highly dysfunctional form of governance that fails to deliver peace and well-being to a long-suffering population. It is a persuasive analysis, but the absence of a policy prescription disappoints.

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# ForeignAffairs.com Top Ten

## The top-ranking online articles from fall 2011.

1. *A Formal Funeral for the Two-State Solution.* BY ALI ABUNIMAH. In theory, the Palestinian Authority's bid for statehood is supposed to circumvent the failed peace process. But the ill-conceived gambit actually amplifies the flaws of the process it seeks to replace. *ForeignAffairs.com/Abunimah_Palestine*

2. *How Iran Keeps Assad in Power.* BY GENEIVE ABDO. For Iran, the Syrian government is the front line of defense against the United States and Israel. So Tehran is sparing no expense to help its ally fend off popular protests. *ForeignAffairs.com/Abdo_Iran*

3. *Why Israel Should Vote for Palestinian Independence.* BY ISAAC HERZOG. Israel sees the Palestinian bid for recognition at the UN as a dire threat. But it could score a diplomatic coup by doing what no one expects: voting, under several conditions, for Palestinian statehood. *ForeignAffairs.com/Herzog_Israel*

4. *The Truth About al Qaeda.* BY JOHN MUELLER. New information discovered in Osama bin Laden's hideout in Pakistan suggests that the United States has been vastly overstating al Qaeda's power for a full decade. *ForeignAffairs.com/Mueller_alQaeda*

5. *Obama's Options in Damascus.* BY TONY BADRAN. Obama has seemingly outsourced much of his Syria policy to Ankara. But with Erdogan having proved unable to convince the Syrian dictator to reform, Obama must now formulate his own plans. *ForeignAffairs.com/Badran_Damascus*

6. *America's Coming Retrenchment.* BY MICHAEL MANDELBAUM. The recent deal over the debt ceiling guarantees that the U.S. government will reduce its spending on foreign policy, which will force America to scale down its ambitions abroad. *ForeignAffairs.com/Mandelbaum_America*

7. *Erdogan's Middle Eastern Victory Lap.* BY STEVEN A. COOK. The Turkish prime minister's recent Middle East tour was meant to distract from his missteps during the Arab Spring. More importantly, it was aimed at convincing Turks that their country is a powerful regional player. *ForeignAffairs.com/Cook_Erdogan*

8. *Bearing the Cost of War.* BY JAMES WRIGHT. Most Americans have made no sacrifices for the wars in Afghanistan and Iraq. The burden should be shared. It's long past time for Congress to enact a wartime tax. *ForeignAffairs.com/Wright_War*

9. *Libya and the Obama Doctrine.* BY MICHAEL O'HANLON. The U.S. campaign was limited success. Qaddafi is gone, but his ouster will not become a model for future interventions. *ForeignAffairs.com/OHanlon_Libya*

10. *Negotiation Can Work With North Korea.* BY LEON V. SIGAL. The only way to prevent a nuclear disaster in North Asia is to work from an honest accounting of recent events, exploit Pyongyang's energy needs, and, over the long term, chart a path toward signing a peace treaty. *ForeignAffairs.com/Hyde_Election*


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