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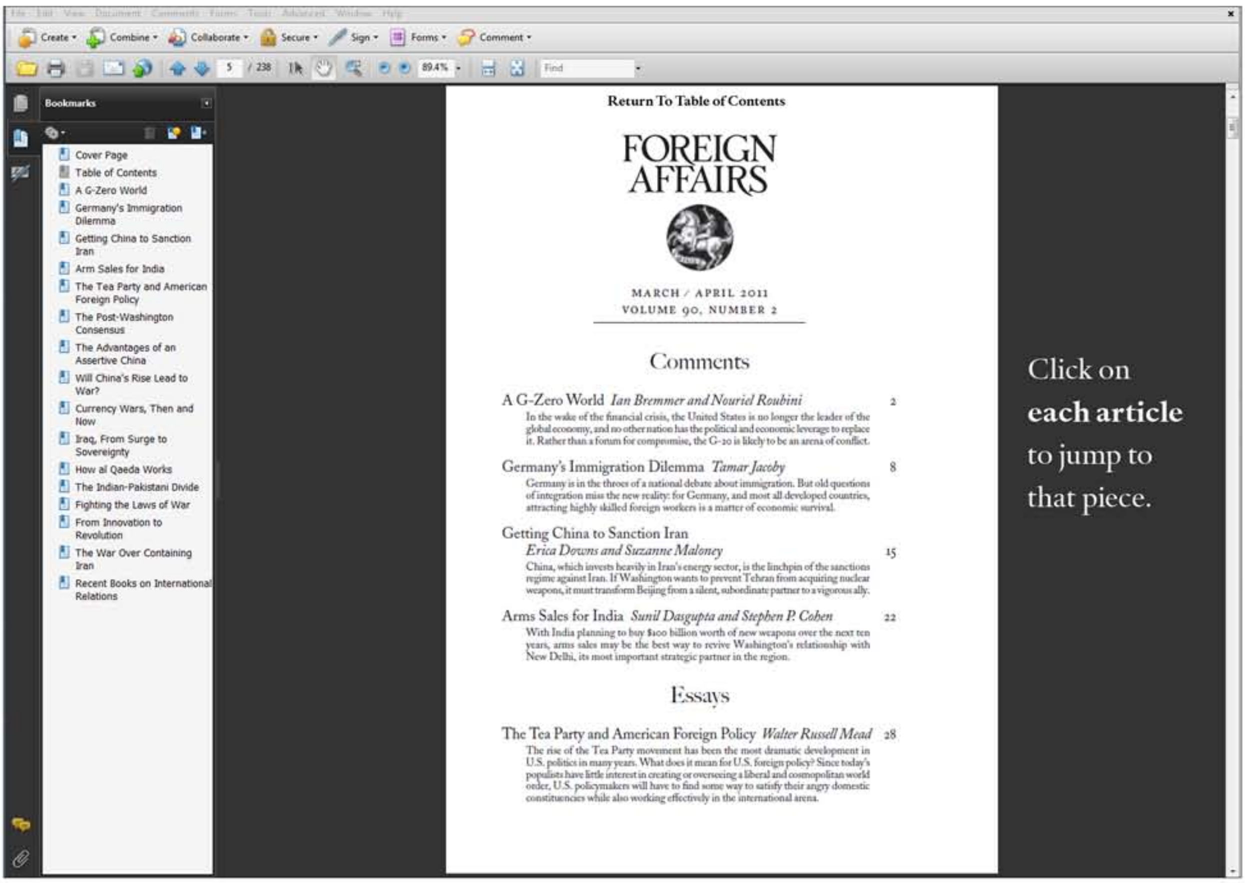

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– President Obama, Prague, April 2009
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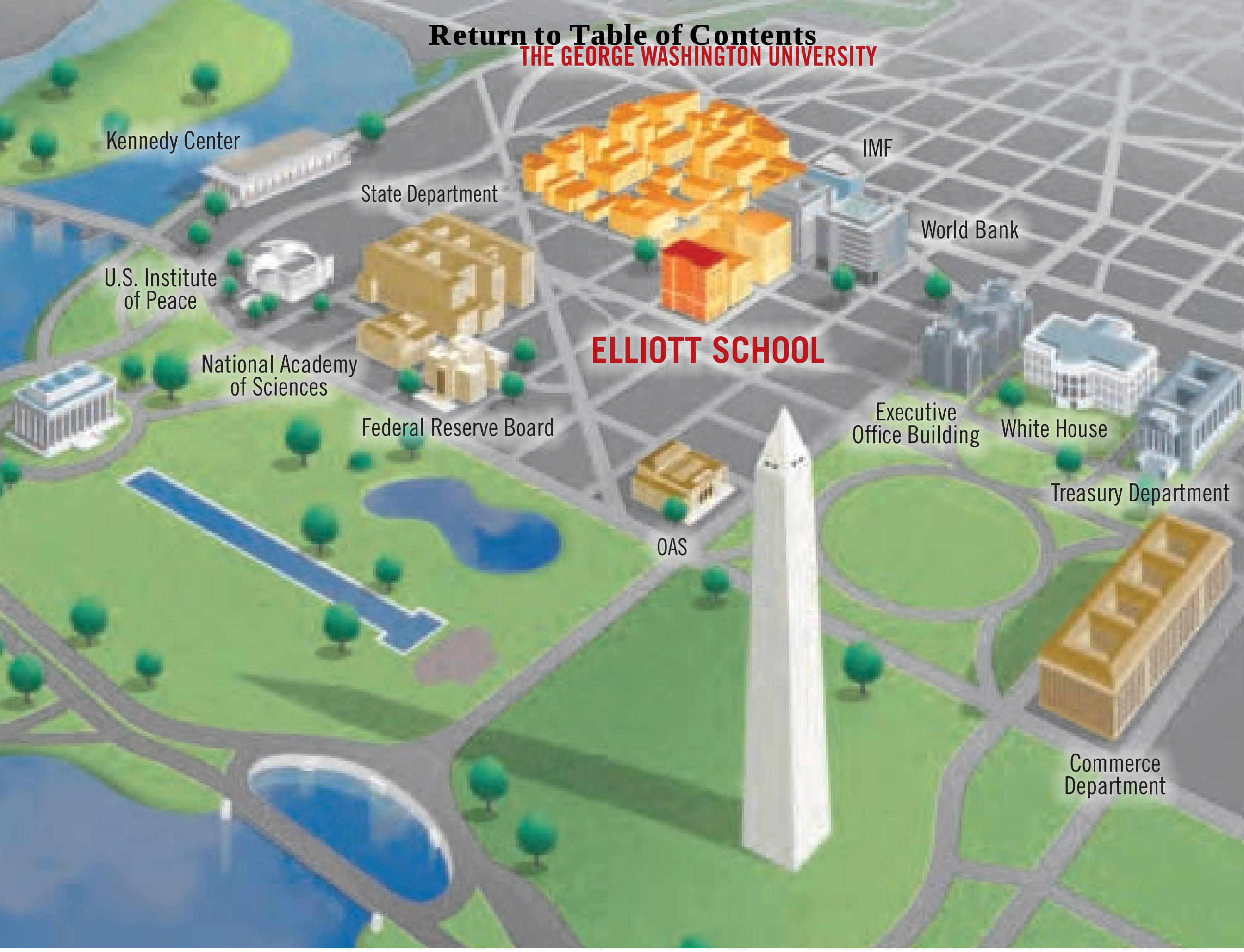

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REUTERS / ALESSIA PIERDOMENICO

Reading alone in a classroom, Rome, 2004

There is nothing inevitable about population decline. Governments can raise birthrates—if only they adopt the right kinds of policies.

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Baby Gap

How to Boost Birthrates and Avoid Demographic Decline

Steven Philip Kramer

For most of human history, high birthrates and high mortality rates tended to balance each other out. That began to change in the nineteenth century, when better sanitation and nutrition lengthened life spans. The world's population surged from about one billion in 1800 to seven billion today.

Although overpopulation plagues much of the developing world, many developed societies are now suffering from the opposite problem: birthrates so low that each generation is smaller than the previous one. Much of southern and eastern Europe, as well as Austria, Germany, Russia, and the developed nations of Southeast Asia, have alarmingly low fertility rates, with women having, on average, fewer than 1.5 children each. For example, the total fertility rate is 1.6 in Russia, 1.4 in Poland, and 1.2 in South Korea. In the United States, it is 2.05, which is about the replacement level.

At the same time as women are having fewer children in developed countries, life expectancies there have reached record highs. As a result, the dependency ratio—the ratio of the working population to the nonworking population—has become increasingly unfavorable, and it is projected to get even worse. In many countries, the age distribution will someday resemble an inverted pyramid, with a bulge of the elderly perched precariously on a narrow base of the young. With fewer working-age people to tax, governments will have to choose from among several unpleasant options: cutting benefits, raising the retirement age, or hiking taxes. Making matters worse is that economic growth gets harder to achieve as workers age and their ranks dwindle; aging societies will have a tough time succeeding in an era of rapid technological change, which requires flexible employees.

Low birthrates threaten not only the viability of the developed world's welfare states but also developed countries' very survival. In many parts of Europe and Asia, depopulation is a real possibility. Countries there risk falling into what demographers call "the low fertility trap," a vicious cycle whereby fewer and fewer women have fewer and fewer children, leading to an accelerating spiral of depopulation. In some countries, such

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as Austria and Germany, it may already be too late: surveys show that women there desire an average of only 1.7 children, well below the level needed to keep the countries' populations from shrinking, and they actually have an average of about 1.3 children. A subculture of childlessness has already developed in these countries; many people choose to have no children at all.

Low birthrates are also changing the world's population balance, with poorer countries dwarfing richer ones. The population of Pakistan, to name just one developing country, rose from around 50 million in 1960 to about 190 million today, whereas the French population grew from about 45 million to 65 million in the same period. It is not hard to imagine a future in which advanced countries resemble small islands in a Third World sea. At some point, the population gap between the rich and the poor could grow so large that some developed countries will have to accept massive inflows of immigrants to meet their economies' labor needs. But that much immigration would likely prove politically unpalatable.

Population decline poses a grave danger to the developed world. Yet there is nothing inevitable about it. History shows that governments can raise birthrates close to replacement levels—if only they adopt the right kinds of pronatalist policies. This means making available high-quality and affordable child care, offering families financial support, and supporting mothers who pursue careers.

MAKING MOTHERHOOD WORK

If developed countries with low birthrates want to raise them, they should look at what has worked for others in the past. Countries that have not addressed gender inequality or provided adequate social services, such as Italy and Japan, have failed to nudge up their birthrates. But other countries, such as France and Sweden, have crafted thoughtful, comprehensive, and consistent policy responses that have largely reversed their declining birthrates over the long run.

France was the first country to experience a declining birthrate in the nineteenth century. Small landowners there chose to have fewer children so as to avoid dividing their farms among too many of them, and people in the middle class wanted to encourage social mobility by investing their resources in just a few children. As the country's population growth slowed, the French became concerned about the national security implications. France's defeat in the Franco-Prussian War of 1870–71 transformed the country's low birthrate into a political issue, since its archenemy, Germany, was experiencing rapid population expansion. The populations of France and Germany were about equal in 1871; by 1914, the German population was about 50 percent larger. Yet because it espoused limited government, the Third Republic did not take meaningful steps toward a pronatalist policy until the very eve of World War II. In 1939, it passed the Code de la Famille, which provided financial support to parents.

After World War II, French leaders blamed the country's defeat in 1940 on its stagnating demographic, economic, and social development. If France was to regain the status to which President Charles de Gaulle and other leaders aspired, it needed a new dynamism: more social justice, a stronger economy, and faster population growth. So France tried to plan itself out of industrial underdevelopment and demographic decay, and it did so through, above all, a generous program of financial support for families with children. Birthrates rose to well over the replacement level.

These postwar policies were aimed at strengthening the "traditional" family. But by the late 1960s, that model was falling out of favor. The baby boom was ending. Women were joining the work force in increasing numbers, and French economic development required their participation. Instead of viewing women's careers as a threat to birthrates, pronatalists began to advocate reconciling work and family.

That approach had worked in Sweden, another country that suffered from extremely low birthrates in the 1930s. When the Swedish Social Democrats came to power at the height of the Great Depression, one of their economic strategists was Gunnar Myrdal, who in 1934 wrote a best-selling book with his wife, Alva, on the population crisis. The Myrdals argued that if Sweden was to boost its low birthrates, women had to be able to both raise children and have careers—a revolutionary idea at the time.

Because children were a crucial investment for society but an economic burden for individual families, the argument ran, the government needed to redistribute wealth from households with few or no children to those with many. It had to eliminate the obstacles preventing ordinary people from following their wishes to marry and procreate, such as the sheer cost of raising children. Unlike conservative pronatalists, the Myrdals supported the right to contraception. It was good that families should want children, but they should have only the children they wanted.

Today, France and Sweden both devote approximately four percent of their GDPs to supporting families. The Swedish model provides new parents with over one year of paid leave based on their salaries, which can be divided between the father and the mother. Most Swedes send their children to the renowned public preschool system. Women have the right to return to their jobs after maternity leave on a full-time or part-time basis. The French system, for its part, offers mothers more financial incentives and focuses less on early child care. But France does provide an outstanding free preschool (*école maternelle*), which most children attend after age three and which is run by the Ministry of Education.

Both the French and the Swedish systems eliminate much of the financial burden on parents and, above all, the stress of struggling to balance work and family. As a result, both countries enjoy healthy birthrates: near replacement level in France and slightly below replacement level in Sweden.

GONE BABIES GONE

Unlike France and Sweden, other countries trying to promote childbirth have adopted ineffective policies, instituted no policies at all, or succumbed to cultural impediments. In Italy, the problem was a sluggish state that did not even try to challenge norms about childbearing. The Italian birthrate fell below the replacement level in the 1970s, but only in the 1990s did Rome recognize the extent of the problem, when the underdeveloped welfare state was already stretched to capacity. So the country essentially did nothing.

Many other factors have kept Italy from adopting effective policies. The powerful Catholic Church, which supports the traditional model of stay-at-home motherhood, looks askance at increasing social services that enable women to reconcile work and family. Young people, who have a hard time finding jobs and rental housing, tend to live with their parents into their 30s, and so they put off starting families. The legacy of fascist Italy's heavy-handed pronatalist policies—Benito Mussolini even went so far as to institute a tax on celibate men in 1926—has created a taboo against state involvement in family affairs (or at least an excuse for inaction). Italy's broken bureaucracies, stalemated political system, and chronic financial problems have all gotten in the way, too.

The results are ominous. By 2011, Italy's total fertility rate had dropped to 1.42. As the demographer Massimo Livi-Bacci predicted in 2001, "the current fertility rate implies the halving of the Italian population every forty years. Thirty years from now, women over eighty would be more numerous than girls under puberty, and those over seventy would exceed those below thirty."

Like Italy, Japan faces the threat of a population implosion, with its total fertility rate at 1.21. The Japanese are aging at an alarming rate: demographers predict that by 2014, 25 percent of the population will be older than 65, and by 2050, that proportion will have jumped to nearly 38 percent. Since 2005, when the country counted 128 million inhabitants, Japan's absolute population has been declining; by 2050, it could fall to about 100 million. And unlike in Italy, there is almost no immigration to speak of.

The Japanese government has pursued policies aimed at increasing the birthrate, but these have been too halfhearted. Employers are part of the problem, forcing women to choose between a family and a career. Women who have children are often unable to return to professional-level jobs, and businesses resist reducing long working hours. Although there are many laws on the books that purport to remedy this situation—for example, the 1994 Angel Plan, the 1995 Child Care and Family Care Leave Act, and the 1999 New Angel Plan—they often go unenforced. And so more women are marrying later (or never), and those who are married are having fewer children.

DEMOGRAPHICS AND DESTINY

In Italy and Japan, politicians evince a kind of pervasive fatalism about population decline. Part of the reason is that these are still wealthy societies and the effects of falling birthrates have yet to really be felt. By its very nature, population decline is incremental, so there never really is a population crisis. And without a crisis, politicians relegate the issue to the back burner.

Policymakers in these countries also fail to act because they hold misguided views about population. Some still fear overpopulation or argue that lower populations will help preserve the environment. (That they would admittedly do, but environmental degradation is a lesser threat than depopulation.) Others insist that the government cannot and should not intervene in a domain regarded as private. Still others incorrectly assume that the problem will take care of itself; many of the countries affected by falling birthrates, such as Spain, enjoyed high birthrates until recently (in some cases, they had instituted programs to reduce fertility) and do not recognize that their birthrates will probably not rebound from their current low levels without help.

But demographics are not self-regulating, and successful population policies require governments to make long-term investments in encouraging childbirth. This means a great deal of financial support, even in times of austerity; when it comes to population policies, there is no such thing as short-term success. In order to bear fruit, the policies must be consistent and predictable, so they have to be based on broad national consensus.

Gender equality is also an important ingredient, as are carefully managed immigration and the acceptance of non-traditional family structures, such as unmarried cohabitation. After all, the countries most committed to the traditional family, such as Germany, Italy, and Japan, have the lowest birthrates. Countries with high birthrates, in contrast, usually also have large numbers of children born out of wedlock. These babies are born not primarily to teenagers but largely to women in their late 20s and 30s, many of whom are in committed relationships.

Governments trying to institute pronatalist policies will face an uphill battle. In the past, such policies were closely related to the rise of the welfare state, which came into being at a time of sustained economic growth in the developed world. But the welfare state in the West has been embattled for a long time, threatened by neoliberal economic thinking, the rise of cheap foreign labor, growing inequality, and the recent global economic crisis. Meanwhile, young people are having a harder time finding steady, well-paying jobs. They are likely to postpone beginning families—or never have any children.

Public policy can narrow the gap between the number of children women say they want and the number they actually have. But the right kind of programs, such as those in France and Sweden, are expensive, and they may clash with vested interests and anger supporters of the traditional family—which is why many developed societies have done nothing or have employed useless half measures. Countries that fail to take low birthrates seriously do so at their own peril. Time matters. If they wait too long and get caught in the low fertility trap, they could find themselves in an uncharted era of depopulation that will be eerily different from anything before. And escaping that scenario will be difficult, if not impossible.

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The U.S. Army in a Time of Transition

Building a Flexible Force

Raymond T. Odierno

After six months as chief of staff, I can see clearly that the coming decade will be a vital period of transition for the U.S. Army. The service will have to adjust to three major changes: declining budgets, due to the country's worsened fiscal situation; a shift in emphasis to the Asia-Pacific region; and a broadening of focus from counterinsurgency, counterterrorism, and training of partners to shaping the strategic environment, preventing the outbreak of dangerous regional conflicts, and improving the army's readiness to respond in force to a range of complex contingencies worldwide.

SMALLER BUDGETS

To ensure that declining budgets do not lead to shortfalls in training and equipment, the size of the active-duty force will have to be reduced. The reductions will be painful, but they are necessary and can be done responsibly. We must do our utmost to ensure that the soldiers leaving the force are treated fairly and that they and their families are provided with support to help them successfully transition to civilian life. We must also cut units as we cut soldiers, to prevent units from becoming undermanned and ineffective.

Although maintaining a smaller active-duty army will involve some risks, those risks will be less than some believe because of the changes that have taken place in the army in recent years. Today's force is qualitatively different from the army of a decade ago. It is more combat seasoned, more tightly integrated with the other military services and with special operations forces, and more technologically advanced.

Today's army also has an unprecedented level of integration between its active and its reserve components. The Army National Guard and the Army Reserve have stood shoulder to shoulder with active-duty troops around the globe, and the level of trust, respect, and mutual understanding between them is unparalleled in the army's history. Our reserve component soldiers are better than

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Raymond T. Odierno is Chief of Staff of the U.S. Army.

they have ever been, and we will dedicate resources to ensure that some of them will be either deployed or ready to deploy around the globe.

Multiple initiatives are under way to ensure that the army continues to improve the stewardship of its resources and increase its return on the investment of public dollars. These include broad-based reforms of the processes that support key army functions, changes to how the army defines its equipment needs and then buys and fields systems to meet them, a careful examination of both institutional and operational headquarters to eliminate excess layers of command, and the pursuit of alternative energy sources and practices that can increase operational effectiveness while also saving money.

Ultimately, maintaining the army the country requires with fewer resources will mean balancing three variables: the overall size of the force, its equipment, and its training and readiness. All the budgetary adjustments I recommend as chief of staff will be governed by the necessity of ensuring that each of these pillars is sufficiently robust to field an army with the capability and capacity to perform its assigned missions.

PIVOTING TO THE PACIFIC

The United States serves as a critical guarantor of stability in the Asia-Pacific region, and a robust joint military presence there is an important part of the country's broader regional strategy. U.S. naval and air forces maintain the ability to provide rapid strikes, and if a broader conflict arose, they would play a key role in enabling the entry of the U.S. Army or the Marines into the theater. But the army has a critical regional role to play in peacetime as well. The presence of army forces in the region is an essential component of deterrence against aggression, complicating potential adversaries' planning and diverting their resources from other investments. And despite the region's vast expanses of oceans, Asia's militaries remain dominated by armies, making the U.S. Army's robust relationships with its regional partners a vital resource in a broad range of situations.

The recently announced training initiative between the United States and Australia has already demonstrated a renewed U.S. commitment to the region. This adds to the army's partnership with South Korea, its long-standing record of exercises with Japan and Thailand, and special operations forces' training missions in the Philippines. Over the next decade, the army will build on this strong foundation, seeking opportunities to engage new partners. We will also look to increase exchanges with other forces, better align our foreign assistance programs with additional engagement opportunities, and explore a range of other changes, from new command-and-control structures that would enhance responsiveness to modifications in how army forces in the region are provisioned to increase their readiness.

Of course, even as the army increases its activities in the Asia-Pacific region, it will retain substantial responsibilities elsewhere in the world. The posture of the U.S. military in the Middle East is critical to maintaining regional stability there. Peace between Israel and its neighbors remains elusive, Iran's behavior continues to be provocative and destabilizing, and the trajectory of the Arab Spring is by no means fixed. To maintain

REUTERS / SCOTT OLSON

U.S. General Raymond Odierno in Iraq, December 2008

U.S. influence, particularly if additional U.S. naval assets will be devoted to the Pacific, the army will continue to need some combination of prepositioned equipment and a permanent and rotational presence there throughout the next decade.

In most of Africa and the Americas, as elsewhere, the dominant military forces are armies, giving the U.S. Army a major role to play in continued U.S. military engagement. In Africa, past partnership activities have included assisting local forces in assuming greater responsibility for peacekeeping operations, and this will remain an important responsibility. With wars proceeding elsewhere, the army's efforts in both Africa and the Americas have been limited in recent years. But we are exploring new ways to enhance our support to the U.S. Africa and Southern Commands as needs arise and existing operational commitments decline, while remaining respectful of local sensitivities.

Relationships with our European partners will be even more critical as so many Western nations reduce their defense expenditures. We have already announced the removal of two army brigades from Europe. But we will continue our pattern of robust engagement with our allies and partners in the region by deploying rotational forces to ensure continued interoperability and the further development of advanced military skills. Furthermore, the army intends to continue to invest in logistics hubs, intelligence facilities, state-of-the-art medical capabilities, and training grounds there, all of which serve as dramatic multipliers for U.S. joint forces and allied military activities both within and beyond Europe.

Finally, the challenges in the United States itself remain daunting. Although the actions of our forces overseas have helped preclude more terrorist attacks on the U.S. homeland, the threat persists. The need for U.S. armed forces, and the army in particular, to provide planning, logistical, command-and-control, and equipment support to civil authorities in the event of natural disasters continues to be demonstrated regularly and is unlikely to diminish. And many security challenges in the Americas are transnational, including humanitarian crises, illicit trafficking, organized crime, terrorism, and weapons proliferation. Army forces will continue to be ready to contribute to broader national efforts to counter those challenges at home, if needed. Our reserve component soldiers remain the bedrock of the army's domestic response capability, but where appropriate we will also dedicate active-duty forces, especially those with niche skills and equipment, to provide civilian officials with a robust set of reliable and rapid response options.

A BROADER MISSION SET

The final major transition the army must manage is that from a force focused on counterinsurgency, counterterrorism, and advising and assisting to one that actively prepares to effectively conduct a fuller range of potential missions. Since counterterrorism missions will not diminish in the foreseeable future, the army will need to preserve and enhance its relationship with joint special operations forces. The evolution of this partnership over the past decade has been extraordinary, and the ties can become even stronger as we continue to develop new operational concepts, enhance our training, and invest in new capabilities. The army will also need to preserve the intellectual and organizational knowledge it has gained about counterinsurgency, stability operations, and advise-and-assist missions. This expertise has come at a very high price that is etched into the hearts and minds of all of us who have worn the army uniform over the last ten years, and we will not dishonor our fallen comrades by allowing it to atrophy. But we will address new needs as well.

The army will make it a high priority in the next several years to more fully integrate cyberspace capabilities into our tactical and operational units. Despite continuing ambiguities about how and when such capabilities may be employed, we will clearly be increasingly challenged in cyberspace, and we must accelerate our efforts both to protect ourselves and to exploit our advantages in this domain.

The army will also make sure it firmly embeds one of the most costly lessons it has learned over the last decade: how to deal with the challenge of hybrid warfare. In the future, it will be increasingly common for the army to operate in environments with both regular military and irregular paramilitary or civilian adversaries, with the potential for terrorism, criminality, and other complications. Advanced technology and the information revolution have fundamentally altered the battlefield. Now, any activity a soldier undertakes can rapidly evolve into a combination of combat, governance, and civil support missions, and any individual, military or civilian, can alter the trajectory of an operation with the push of a button on a cell phone. The army's experiences in Afghanistan, Iraq, and elsewhere have shown that failing to account for this challenge is dangerous. In recent years, we have made great strides in incorporating the complexity of hybrid warfare into our training for deploying forces, and we are determined to consolidate and build on those gains to ensure that our soldiers and leaders are prepared for the uncertainty they will face in the future.

Finally, the army needs to prepare for doing many different things well. In addition to combat of all kinds, possible operations in the next several years will include everything from helping victims of a flood to restoring order in a collapsed state with large-scale criminal activity, violence, and perhaps even unconventional weaponry. But how can the army broaden its scope and maintain its readiness even as the available resources decline? First, we must align our forces, both active and reserve, with regional commands to the greatest possible extent. Regional commanders' anticipations of likely contingencies should dictate the mission set for which aligned units prepare. This means that some units may focus on higher-end war fighting while others dedicate much of their training to disaster relief or exercises with partners in the region. Regional alignment will also help inform the language training, cultural training, and even the equipment that units receive. Second, we will develop our capacity for adaptation and rapid adjustment so as to be able to respond to unexpected demands of any kind as and when they emerge. At the individual level, this means revitalizing how we train and prepare our leaders. At the unit level, it means reexamining how to provide the most efficient, effective, and flexible forces to joint force commanders—making sure they retain a high level of war-fighting competency while still training for other missions as appropriate. And at the institutional level, it means ensuring that the army's equipping strategy includes realistic projections about the industrial base and reevaluating the army's capability to rapidly project power around the world.

PREVENTING, SHAPING, AND WINNING

The English philosopher Francis Bacon noted that "things alter for the worse spontaneously, if they be not altered for the better designedly." The army is determined to design its better future, given the constraints and requirements it faces.

Over the next ten years, we will be increasingly focused on preventing conflict and shaping the broader security environment. This means maintaining a force of sufficient size and capacity so that potential adversaries understand clearly our ability to compel capitulation if necessary. It also means maintaining a vigorous presence abroad, one that reassures our partners and dissuades our foes.

As we shift away from active involvement in major combat operations, we will increasingly emphasize activities aimed at deepening our relationships with partners and demonstrating our country's commitment to global security. Ideally, a focus on prevention and shaping will keep future conflicts at bay. Should they emerge nonetheless, the army, as part of the joint force, will be ready to decisively achieve American ends, whatever they may be. Ten years of war have produced an exceptional cadre of commissioned and noncommissioned leaders able to shift among different missions and different physical, political, and cultural environments. With years of sacrifice in Iraq behind us, and a responsible transition in Afghanistan on the near horizon, army leaders will put those skills to use again to posture the force for the decade ahead.

The Cartel Crackdown

Winning the Drug War and Rebuilding Mexico in the Process

Robert C. Bonner

In July, Mexico will elect a new president to replace Felipe Calderón. Each of the three candidates in the race is campaigning on a distinct social and economic platform, presenting sharply different visions for Mexico's future. Yet whoever wins will need to address the foremost challenge confronting the country today: the battle against the drug cartels. And despite all the negative headlines, the next president will find that the government has made huge gains in the last five years toward defeating them.

When Calderón took office, in December 2006, the cartels were deeply rooted in Mexico, effectively controlling municipalities across the country and even entire states. In the previous two decades, they had amassed billions in illicit revenue and, operating with virtual impunity, used their illegal profits to penetrate and corrupt the Mexican government on a vast scale. These competing drug organizations fought over territory and supply routes, causing rampant violence. Calderón became the first Mexican president to take them on. By using force and launching large-scale reforms of Mexico's law enforcement institutions, he has already destroyed some of the cartels and weakened several others.

As a result of Calderón's determination and his success against the cartels, his approval rating now stands at 52 percent. Yet those organizations continue to plague the country. Since Calderón first took them on in late 2006, nearly 50,000 Mexicans have died in drug-related homicides. Although most of these murders are a result of cartel-on-cartel violence, the unremitting kidnapping, extortion, and bloodshed has hurt Mexico's image, damaged its tourism industry, and exhausted an increasingly weary Mexican public. According to an August 2011 Pew poll, less than half of Mexicans believe that the government is making progress in its battle against the cartels.

This fatigue is feeding an undercurrent in Mexican politics suggesting that Calderón's efforts to vanquish the drug cartels, however noble, have failed. In

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this view, Mexico cannot defeat these organizations; at best, it can achieve a Faustian bargain whereby the cartels are allowed to operate above the law in exchange for reducing their violence. Perhaps sensing the growing skepticism, Calderón's would-be successors have said little about the fight against the cartels, offering only vague platitudes about the need for a new strategy or calling for the withdrawal of the Mexican military from the provinces and an increased focus on the social causes of criminal behavior.

But this defeatism sells Mexico short; the country can still triumph in its struggle. It took 20 years for the cartels to become as dominant as they were when Calderón came to power, and even with the right strategy, it will take several more years of sustained effort to put them out of business. The question is whether Mexico's next president will hold firm and build on Calderón's advances or undermine them by negotiating with the drug lords. Accommodation may reduce some of the violence in the short run, but in the end, the only way for Mexico to restore order is to defeat the cartels once and for all.

CARTELS IN CONTROL

When Calderón took office, there were roughly half a dozen cartels, each a large criminal outfit in its own right. These organizations—the Gulf, the Juárez, La Familia Michoacana, the Sinaloa, and the Tijuana cartels—dominated large swaths of Mexican territory and operated abroad, as well. Although they made money from extortion, kidnapping, and human trafficking, they derived most of their income from the drug trade. Their combined gross revenues from drugs alone had risen to approximately \$5–\$10 billion annually. To avoid a disruption of their operations, the cartels bought increasingly sophisticated weapons and bribed Mexican government officials at all levels. Those they could not bribe, they threatened or killed; in the past five years, the cartels have assassinated 32 mayors and 83 police chiefs, along with a number of journalists. *Plata o plomo?* (silver or lead?) was their motto.

The cartels began rising to their current stature in the mid-1980s, when several Mexican drug-smuggling organizations, which until then had been trafficking marijuana, established a connection with cocaine cartels in Colombia and, for a set fee per kilogram, started transporting drugs into the United States on their behalf. By the 1990s, the Colombians had begun paying the Mexicans with a share of the product itself, requiring the junior partners to establish their own distribution cells in the United States and elsewhere. By the end of the decade, the Mexican cartels had largely supplanted their Colombian counterparts, and they began to diversify their product line, selling drugs such as methamphetamines and heroin in addition to cocaine. They also expanded to other forms of organized crime, extorting legitimate businesses, kidnapping for ransom, and engaging in human smuggling. One of the cartels even stole and sold the Mexican government's own crude oil from pipelines that ran through the cartel's territory.

By around the turn of the century, the cartels had become so powerful that the Mexican government felt that it could do little to oppose them. Calderón's immediate predecessor, Vicente Fox, preferred not to hear about the problem, whereas Ernesto Zedillo, who preceded Fox, tried to fight back but found that any operations he ordered quickly became compromised because law enforcement officials had been paid off. As much as Zedillo and Fox wanted to challenge the impunity of the cartels, they learned that Mexico's weak and corrupt law enforcement institutions were not up to the task.

By 2006, the power of the cartels had reached an apex. Calderón set to work soon after his election, and the battle was joined almost immediately. Shortly before Calderón had taken office, La Familia Michoacana had slaughtered members of a rival cartel and tossed their severed heads onto the dance floor of a nightclub. Calderón, once he assumed the presidency, realized that he could not rely on the federal police, the Agencia Federal de Investigación (AFI), to restore order or to track down the perpetrators. After investigating, Calderón discovered that the AFI was riddled with corruption. Over the years, the cartels had bribed not only regional AFI *comandantes* but also top-level employees at the agency's Mexico City headquarters. Indeed, in early 2008, the AFI's second-highest official was arrested for taking hundreds of thousands of dollars in bribes from the Sinaloa cartel. Internal investigations revealed that when the AFI was directed to arrest drug lords, members of the agency would often tip them off beforehand.

The state police were even more unreliable. Often on the payroll of the cartels in their respective regions, the state police not only failed to cooperate with the federal police but also regularly protected the cartels and their leaders. The municipal police were even worse: chronically undertrained, poorly paid, and often thoroughly corrupt.

With limited options, Calderón turned to the military, which, because it had never been involved in investigating or acting against the cartels, remained relatively immune from their influence. Calderón used the military as a show of force in areas wracked by cartel violence, such as Ciudad Juárez, Michoacán, and Veracruz, and to surgically target, capture, and, if necessary, kill cartel leaders. Yet Calderón understood that the military alone could not crush the cartels. To do that, he would need forces capable of patrolling urban areas, collecting intelligence, and gathering the evidence necessary to prosecute drug traffickers—functions that only professionalized law enforcement agencies could carry out. To win this war, Calderón needed cops he could rely on.

CLOG THE TRAFFICKING

Calderón set about reforming Mexico's law enforcement institutions using a three-part strategy: creating a new, professional federal police force; rebuilding each of the 32 state forces and giving them the responsibilities of the discredited municipal police; and overhauling the judicial and penal systems.

Calderón began his efforts with the federal police. Fed up with the corruption of the AFI, he abolished the agency in May 2009 and created an entirely new force. The new federal police began from scratch, hiring well-vetted college graduates, training them at a new police academy, and offering higher pay. They also established world-class anticorruption standards and a rigorous internal affairs department.

Calderón's plan worked. The new force now boasts 35,000 officers and has built Mexico's first national crime information system, which, among other things, stores the fingerprints of everyone who is arrested in the country. The federal police have also assumed command from the army in several regions and demonstrated their ability to confront the cartels by apprehending several of their central figures. And the force has also avoided any serious incidents of corruption. Although largely unheralded, the building of this professional law enforcement agency in just a few years is one of Calderón's greatest accomplishments.

But the federal police need help from Mexico's 350,000 state police. Calderón has thus begun restructuring these forces as well, along the lines of the reforms he made to the federal police. Given the sheer number of new officers that must be vetted, hired, and trained, it will take at least several more years to complete the job. And to guarantee that the federal and state police work together, the Mexican government must find a way to work around the provincial governors, who ostensibly control the state forces and have too often been in bed with the cartels. A recent affidavit filed in U.S. federal court in Texas, for example, revealed that the former governor of Tamaulipas, a state that abuts the U.S.-Mexican border, had accepted millions of dollars from the Gulf cartel. Such corrupt governors have ensured that the state police take no action against, and even in some cases actively protect, cartel leaders in their territory. In the future, the Mexican Congress should permit the president, at least in times of emergency, to federalize the state police in a given state, similar to the authority of the U.S. president to federalize National Guard units.

As he battled the cartels, Calderón also came to realize that he would need to reform the judicial system. Mexican prosecutors manage to obtain convictions in less than five percent of cases involving persons arrested for drug trafficking. By comparison, the conviction rate in the United States for similar crimes is over 90 percent. To fix this abysmal record, Calderón has proposed moving to a more transparent criminal justice system, with trials taking place in public so as to hold judges and prosecutors accountable.

Even when Mexico has managed to jail cartel members, it has had trouble keeping them there. Mexican prisons have suffered a series of embarrassing breakouts, including the infamous escape of the Sinaloa cartel's kingpin, Joaquín "El Chapo" Guzmán, in 2001. Cartel bosses unable to escape still manage to live in luxury and conduct their illegal enterprises from behind bars. Many drug traffickers arrested by federal forces are held in poorly funded and understaffed state prisons. To hold key cartel figures securely, Calderón has begun building a maximum-security prison and modeling the Mexican penal system after that in the United States. But until these judicial and penal reforms are implemented, Mexico should continue to extradite as many of the cartel kingpins and their key lieutenants as it can to the United States, which has a much better chance of keeping them behind bars.

CHOOSING VICTORY

Calderón has fully achieved only one plank of his proposed reforms so far: the creation of a new federal police force. But in the meantime, by using the military and the reformed federal police, he has managed to wage an increasingly effective campaign against the cartels.

In his pursuit of the cartels, Calderón has employed what is known as the kingpin strategy, which Colombia used to defeat its drug cartels in the 1990s. This strategy calls for exploiting all the cartels' vulnerabilities: intercepting their communications, disrupting the supply and distribution of drugs and the chemicals needed to make them, and seizing the assets of cartel bosses. Once authorities have weakened a particular group, they can find and arrest the kingpin and the other essential members of the organization, including the leader's potential successors.

In the last three years alone, using this strategy, the Mexican government has captured or killed over 40 major cartel members. One of the greatest successes came in December 2009, when Mexican marines essentially destroyed the Beltrán Leyva cartel, a spinoff of the Sinaloa, after killing its leader, Arturo Beltrán Leyva, and capturing nearly all his top deputies. Meanwhile, Mexican forces have also dismantled the Tijuana cartel and severely weakened the Gulf, the Juárez, and La Familia Michoacana cartels. Even the Zetas (a spinoff of the Gulf cartel) and the Sinaloa, although they remain strong, have been disrupted; in early 2012, the Mexican government apprehended a founder of the Zetas and a high-level member of the Sinaloa cartel, among others.

To dismantle the remaining cartels, Calderón's successor will need to use an essential element of the kingpin strategy that has so far been missing: an aggressive asset-seizure program. This would involve identifying and confiscating not only the funds that the cartels use to conduct their criminal activity but also the assets that cartel members have purchased with illicit profits: houses, ranches, airplanes, boats, vehicles, and otherwise legitimate businesses. Such efforts against the Colombian cartels in the 1990s allowed Bogotá to arrest their leaders. The Colombian government found the cartel kingpins Pablo Escobar and José Gonzalo Rodríguez Gacha after freezing their assets, which exposed them by making it harder for them to pay friends and bribe public officials for protection. If Mexico follows this example, it will find it easier to apprehend the heads of the Sinaloa and Zetas cartels.

When Mexico removes the kingpins, their successors, and their key operators, the cartels will splinter and collapse, unable to threaten the state any longer. That is when Mexico will have won its war against the drug organizations. Such a victory is now within the country's grasp, but Calderón does not have time to finish the job before he leaves office in December. Fortunately for Mexico, he will bequeath to his successor major successes against the cartels, newly invigorated institutions, and a sound strategy.

The next president of Mexico will have to decide whether to continue the battle begun by Calderón or revert to appeasing the cartels. The choice will determine the course of Mexican history. A deal of some kind with the cartels could temporarily stem the violence, but it would consign Mexico to the corruption and impunity of organized crime for generations to come, dashing the country's hopes of establishing the rule of law and entering the first tier of developed nations. Calderón's successor must recognize that the only long-term solution to the country's drug cartels is not to bargain with them but to defeat them.

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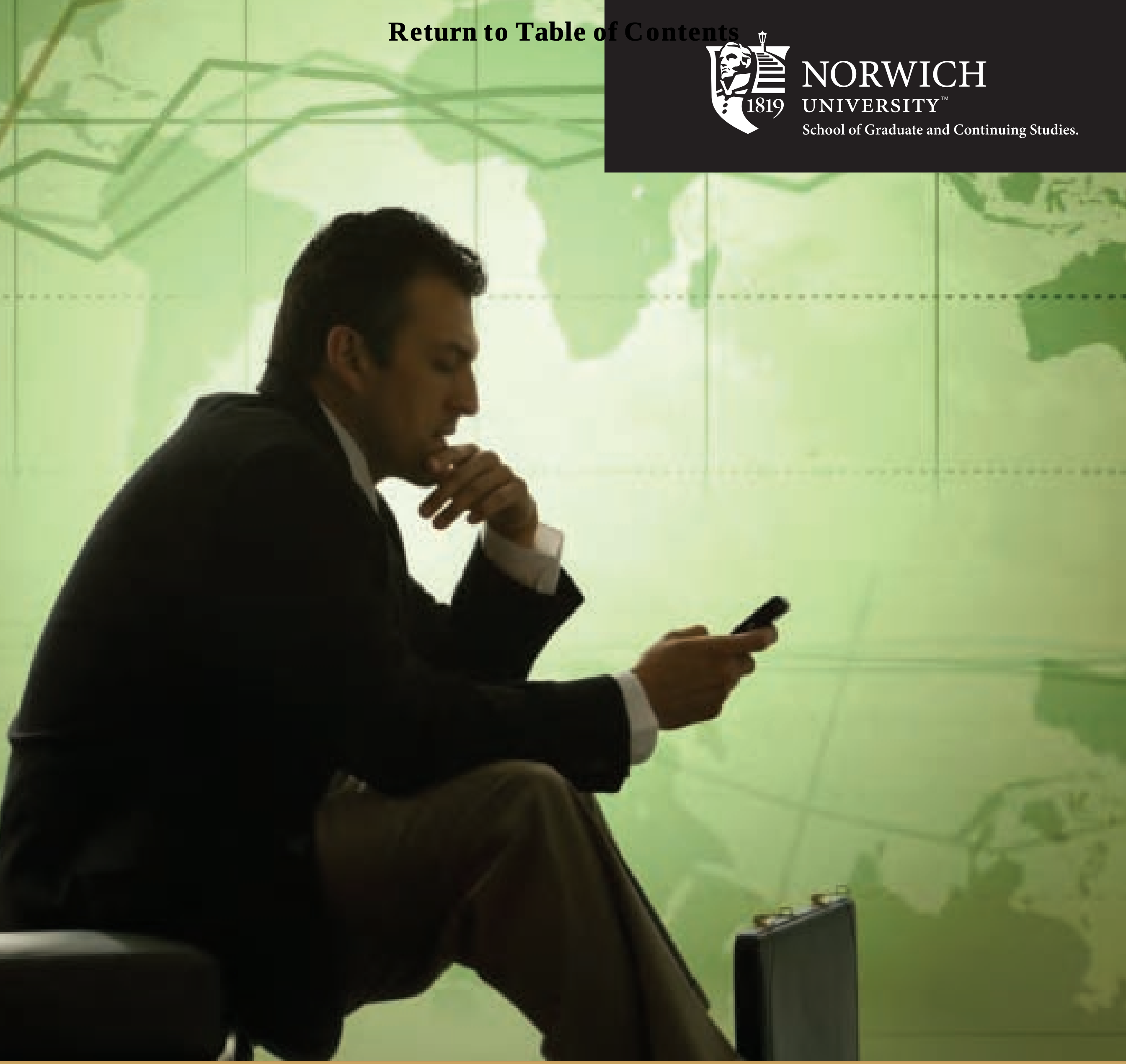

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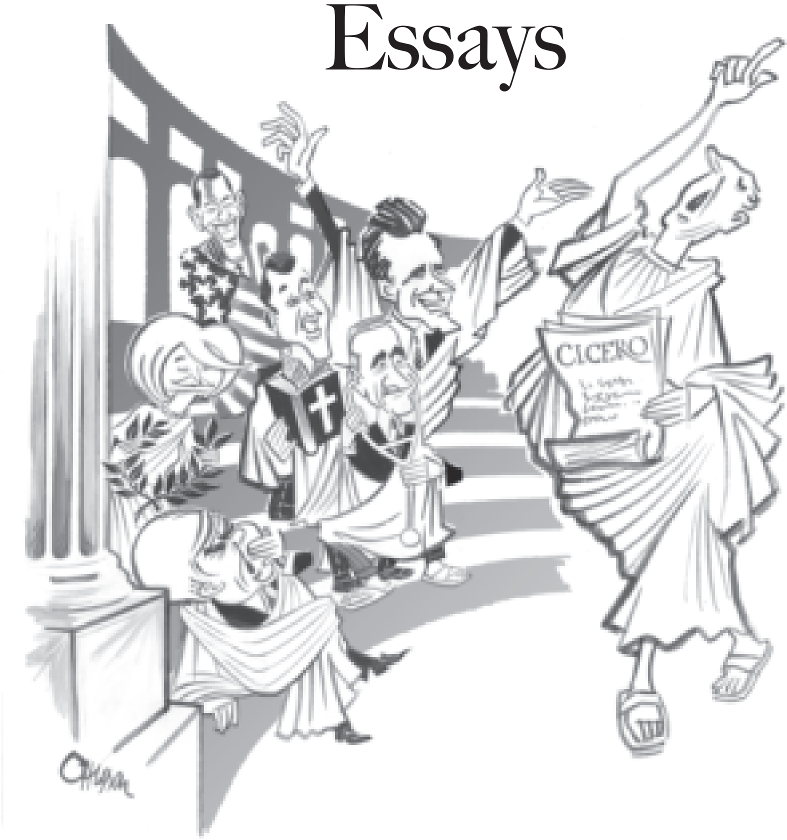

Remind the crowds of what scoundrels your opponents are and smear these men at every opportunity with their crimes and sexual scandals.

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Campaign Tips From Cicero

The Art of Politics, From the Tiber to the Potomac

Quintus Tullius Cicero
with commentary by James Carville

In 64 BC, the great Roman lawyer and orator Marcus Tullius Cicero ran for consul, the highest office in the republic. Marcus was 42 years old, brilliant, and successful. But he was not a member of the nobility, and that would ordinarily have eliminated him from consideration. The other candidates that year were so unappetizing, however, that he had a chance of winning—at least, thought his younger brother, Quintus, if Marcus could run a good campaign. At this time in Rome, any adult male citizen could cast a ballot, but voting was done in a complicated system of groups. The richest citizens had disproportionate power, social and political patronage was crucial, and campaigns were accompanied by some bribery and occasional violence, but the electoral process was orderly and usually reasonably fair. The Commentariolum Petitionis, *or "Little Handbook on Electioneering," purports to be a memo written by Quintus to Marcus telling him how to proceed. Some scholars believe it is just that; others think it was written by another ancient writer. Either way, the author clearly knew a lot about Roman politics in the first century BC, which turn out to have a distinctly familiar feel. What follows are excerpts from a new translation of the* Commentariolum *by Philip Freeman, with some observations on its contemporary relevance by James Carville.*

THE EDITORS

Quintus Tullius Cicero, 102–43 BC, was a Roman general, politician, and author and the younger brother of Marcus Tullius Cicero. James Carville is an American political consultant and author. Cicero's essay is excerpted from a translation by Philip Freeman, recently published as *How to Win an Election: An Ancient Guide for Modern Politicians* (Princeton University Press, copyright © 2012 by Philip Freeman).

To my brother Marcus,

Although you already have all the skills a man can possess through natural ability, experience, and hard work, because of the affection we have for one another I would like to share with you what I have been thinking about night and day concerning your upcoming campaign. . . .

It is crucial that you take stock of the many advantages you possess. . . . Few outsiders have the number and variety of supporters that you do. All those holding public contracts are on your side, as well as most of the business community. The Italian towns also support you. Don't forget about all the people you have successfully defended in court, clients from a wide variety of social backgrounds. And, of course, remember the special interest groups that back you. Finally, make good use of the young people who admire you and want to learn from you, in addition to all the faithful friends who are daily at your side.

Work to maintain the goodwill of these groups by giving them helpful advice and asking them for their counsel in return. Now is the time to call in all favors. Don't miss an opportunity to remind everyone in your debt that they should repay you with their support. For those who owe you nothing, let them know that their timely help will put you in their debt. And, of course, one thing that can greatly help an outsider is the backing of the nobility, particularly those who have served as consuls previously. It is essential that these men whose company you wish to join should think you worthy of them.

You must diligently cultivate relationships with these men of privilege. Both you and your friends should work to convince them that you have always been a traditionalist. Never let them think you are a populist. Tell them if you seem to be siding with the common people on any issue it is because you need to win the favor of Pompey [a popular general], so that he can use his great influence on your behalf or at least not against you. . . .

Another factor that can help you as an outsider is the poor quality of those men of the nobility who are competing against you. . . . Who would believe that men as pathetic as Publius Galba and Lucius Cassius would run for the highest office in the land, even though they come from the best families? . . . But, you might say, what about the other candidates, Antonius and Catiline? Surely they

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are dangerous opponents? Yes, they certainly are, but not to someone like you. . . .

You should be grateful to run against men like those two. They have both been brutes since they were boys, while even now they are notorious philanderers and spendthrifts. . . . Remember how [Antonius] was expelled from the Senate after a careful examination by the censors? . . . When he ran for praetor he could only muster Sabidius and Panthera to stand beside him. . . . After he was elected . . . , he disgraced himself by going down to the market and openly buying a girl to keep at home as a sex slave. . . .

As for Catiline, . . . [he] was born into a poor family, brought up in debauchery with his own sister, and shed his first blood killing Roman citizens and businessmen as a henchman of [the dictator] Sulla. . . . He even murdered his own brother-in-law, Quintus Caecilius, a kindly old fellow and good Roman businessman who cared nothing for politics. Catiline . . . took a club and beat poor Marcus Marius, a man very popular with the Roman people. . . . Catiline afterward was a friend of actors—can you imagine?—and gladiators. He lived a life of debauchery with the former group and used the latter as hired thugs in all his crimes. . . . He was so impudent, so wicked, so skilled in his licentiousness that he molested young boys almost in the laps of their parents. Do I even need to remind you what he did in Africa? It's all recorded in the indictments, which you should take the time to review carefully, by the way. . . .

KEEP HOPE ALIVE

I WANT TO talk about the details of how you should run your campaign. . . . To speak bluntly, since you are seeking the most important position in Rome and since you have so many potential enemies, you can't afford to make any mistakes. . . .

Running for office can be divided into two kinds of activity: securing the support of your friends and winning over the general public. You gain the goodwill of friends through kindness, favors, old connections, availability, and natural charm. But in an election you need to think of friendship in broader terms than in everyday life. For a candidate, a friend is anyone who shows you goodwill or seeks out your company.

Do not overlook your family and those closely connected with you. Make sure they all are behind you and want you to succeed. This includes your tribe, your neighbors, your clients, your former slaves, and even your servants. For almost every destructive rumor that makes its way to the public begins among family and friends. . . .

There are three things that will guarantee votes in an election: favors, hope, and personal attachment. You must work to give these incentives to the right people. You can win uncommitted voters to your side by doing them even small favors. So much more so all those you have greatly helped, who must be made to understand that if they don't support you now they will lose all public respect. But do go to them in person and let them know that if they back you in this election you will be in their debt.

A candidate must be a chameleon, adapting to each person he meets, changing his expression and speech as necessary.

As for those who you have inspired with hope—a zealous and devoted group—you must make them to believe that you will always be there to help them. Let them know that you are grateful for their loyalty and that you are keenly aware of and appreciate what each of them is doing for you.

The third class of supporters are those who show goodwill because of a personal attachment they believe they have made with you. Encourage this by adapting your message to fit the particular circumstances of each and showing abundant goodwill to them in return. Show them that the more they work for your election the closer your bond to them will be. For each of these three groups of supporters, decide how they can help you in your campaign and give attention to each accordingly, reckoning as well how much you can demand from them.

There are certain key men in every neighborhood and town who exercise power. . . . Be sure to distinguish these men from those who seem important but have no real power and in fact are often unpopular in their group. Recognizing the difference between the useful and useless men in any organization will save you from investing your time and resources with people who will be of little help to you. . . .

Seek out men everywhere who will represent you as if they themselves were running for office. Visit them, talk to them, get to know them. Strengthen their loyalty to you in whatever way works best, using the language they understand. They will want to be your friends if they see that you want to be theirs. Small-town men and country folk will want to be your friends if you take the trouble to learn their names—but they are not fools. They will only support you if they believe they have something to gain. If so, they will miss no chance to help you. . . .

You should pay special attention to . . . businessmen and moderately wealthy citizens. Get to know the leading members of these groups, which shouldn't be difficult as they are not great in number. . . . It will [also] help your campaign tremendously to have the enthusiasm and energy of young people on your side to canvass voters, gain supporters, spread news, and make you look good. . . .

KEEP YOUR FRIENDS CLOSE, BUT YOUR ENEMIES CLOSER

You must have a wide variety of people around you on a daily basis. Voters will judge you on what sort of crowd you draw both in quality and numbers. The three types of followers are those who greet you at home, those who escort you down to the Forum, and those who accompany you wherever you go.

As for the first type, they are the least reliable since many will make domestic calls on more than one candidate. Nonetheless, make it clear to them that you are pleased to have them drop by. Mention your gratitude for their visit whenever you see them and tell their friends that you noticed their presence as well, for the friends will repeat your words to them. Even if they visit several candidates, you can win them to your side as solid supporters by taking special notice of them. If you hear or suspect that one of your callers is not as firm in his support for you as he might appear, pretend this isn't the case. If he tries to explain that the charges are untrue, assure him that you have never doubted his loyalty and certainly won't in the future. By making him believe you trust him as a friend, you increase the chances that he really will be. Still, don't be foolish and accept every profession of goodwill you hear.

For those who accompany you to the Forum, let them know that you appreciate this even more than their coming to your house each

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morning. Try to go there at the same time each day so that you can have a large crowd following you. This will impress everyone greatly.

For the rest who accompany you throughout the day, make sure those who come of their own free will know how grateful you are for their company. For those who follow you because of obligation, insist that they come every day unless they are too old or are engaged in important business. If they can't make it, have them send a relative to take their place. It is vital that you have a crowd of devoted followers with you at all times. . . .

Since I have been writing so much on the subject of friendship, I think now is the time to sound a note of caution. Politics is full of deceit, treachery, and betrayal. . . . Your good nature has in the past led some men to feign friendship while they were in fact jealous of you, so remember the wise words of [the playwright] Epicharmus: "Don't trust people too easily."

Once you have figured out who your true friends are, give some thought to your enemies as well. There are three kinds of people who will stand against you: those you have harmed, those who dislike you for no good reason, and those who are close friends of your opponents. For those you have harmed by standing up for a friend against them, be gracious and apologetic, reminding them you were only defending someone you had strong ties to and that you would do the same for them if they were your friend. For those who don't like you without good cause, try to win them over by being kind to them or doing them a favor or by showing concern for them. As for the last group who are friends of your rivals, you can use the same techniques, proving your benevolence even to those who are your enemies. . . .

PROMISE THEM ANYTHING

Impressing the voters at large . . . is done by knowing who people are, being personable and generous, promoting yourself, being available, and never giving up. . . . Nothing impresses an average voter more than having a candidate remember him, so work every day to recall names and faces. Now, my brother, you have many wonderful qualities, but those you lack you must acquire and it must appear as if you were born with them. You have excellent manners and are always courteous, but you can be rather stiff at times. You desperately need to learn the art of flattery—a disgraceful thing in normal life but essential when you are running for office. If you use flattery to corrupt a man there is no excuse for it, but if you apply ingratiation as a way to make political friends, it is acceptable. For a candidate must be a chameleon, adapting to each person he meets, changing his expression and speech as necessary.

Don't leave Rome! . . . There is no time for vacations during a campaign. Be present in the city and in the Forum, speaking constantly with voters, then talking with them again the next day and the next. Never let anyone be able to say that he lacked your earnest and repeated attention during the campaign.

Generosity is also a requirement of a candidate, even if it doesn't affect most voters directly. People like to hear that you are good to your friends at events such as banquets, so make sure that you and your allies celebrate these frequently for the leaders of each tribe. Another way to show you are generous is to be available day and night to those who need you. Keep the doors of your house open, of course, but also open your face and expression, for these are the window to the soul. If you look closed and distracted when people talk with you, it won't matter that your front gates are never locked. People not only want commitments from a candidate but they want them delivered in an engaged and generous manner. . . .

Put on a good show. Dignified, yes, but full of the color and spectacle that appeals so much to crowds.

When someone asks you to do something impossible, such as taking sides against a friend, you must, of course, refuse as a matter of honor, explaining your commitment to your friend, expressing your regret at turning down the request, and promising that you will make it up to him in other ways. . . . If you refuse a man by making up some tale about a personal commitment to a friend, he can walk away without being angry at you. But if you say you're just too busy or have more important things to do, he will hate you. People would prefer you give them a gracious lie than an outright refusal.

Remember [the politician] Cotta, that master of campaigning, who said that he would promise everything to anyone, unless some clear obligation prevented him, but only lived up to those promises that benefited him. He seldom refused anyone, for he said that often a person he made a promise to would end up not needing him or that he himself would have more time available than he thought he would to help. . . . If you break a promise, the outcome is uncertain and the number of people affected is small. But if you refuse to make a promise, the result is certain and produces immediate anger in a larger number of voters. Most of those who ask for your help will never actually need it. Thus it is better to have a few people in the Forum disappointed when you let them down than have a mob outside your home when you refuse to promise them what they want. . . .

Finally, as regards the Roman masses, be sure to put on a good show. Dignified, yes, but full of the color and spectacle that appeals so much to crowds. It also wouldn't hurt to remind them of what scoundrels your opponents are and to smear these men at every opportunity with the crimes, sexual scandals, and corruption they have brought on themselves.

The most important part of your campaign is to bring hope to people and a feeling of goodwill toward you. On the other hand, you should not make specific pledges either to the Senate or the people. Stick to vague generalities. Tell the Senate you will maintain its traditional power and privileges. Let the business community and wealthy citizens know that you are for stability and peace. Assure the common people that you have always been on their side, both in your speeches and in your defense of their interests in court. . . .

Our city is a cesspool of humanity, a place of deceit, plots, and vice of every imaginable kind. Anywhere you turn you will see arrogance, stubbornness, malevolence, pride, and hatred. . . . In such a chaotic world, you must stick to the path you have chosen. It is your unmatched skill as a speaker that draws the Roman people to you and keeps them on your side. It may well be that your opponents will try to use bribery to win your supporters from you, for this can often work. But let them know you will be watching their actions most carefully and you will haul them into court. They will be afraid of your attention and oratory, as well as the influence you have with the business community. You don't have to actually bring your opponents to trial on corruption charges, just let them know you are willing to do so.

Fear works even better than actual litigation. And don't be discouraged by all this talk of bribery. I am certain that even in the most corrupt elections that there are plenty of voters who support the candidates they believe in without money changing hands. . . .

That is all I have to say, my brother. It is not that I know more about politics and elections than you, but I realize how busy you are and I thought I could more easily set out these simple rules in writing.

What ultimately happened? After running a campaign along these lines, Marcus won the race for consul, gaining the most votes of any candidate. Antonius narrowly beat Catiline for the second consular spot. Catiline ran again the next year and lost again, prompting him to try to raise an army and overthrow the republic. In his role as consul, Marcus uncovered the conspiracy and persuaded the senate to declare war on Catiline, who was subsequently killed in battle. Both Marcus and his brother, Quintus, were killed two decades later, during the civil wars that accompanied the demise of the republic and the birth of the empire.

Plus Ça Change

James Carville

In 1972, when I was a law student and just starting out in the business of politics, I worked on a campaign for the district attorney in East Baton Rouge Parish, advising a man named Ossie Bluege Brown. My job was to distribute negative literature on our opponent in strip malls and crowded grocery stores throughout the Baton Rouge area. Over the next 20 years, I did almost anything and everything for candidates at all levels of the political system, working my way up from passing out "hate sheets" in shopping plazas to contributing to Bill Clinton's presidential victory in 1992. Each campaign had its moments, but nothing in the modern political world comes remotely close to the feeling of winning the big one, which I got to share that magical night in Little Rock.

I thought that the advice I was giving my clients was special. Little did I realize that pretty much everything I've said was old news 2,000 years ago, covered expertly in Quintus Tullius Cicero's strategy memo for the campaign of his brother, Marcus, for consul in Rome in 64 BC. The *Commentariolum Petitionis,* or "Little Handbook on Electioneering," is remarkable; it displays as unabashed an appreciation of the harsh realities of politics as the works of that later Italian writer Niccolò Machiavelli.

Quintus recommends what is so often done in modern politics: sucking up and spitting down.

Quintus starts with what we campaign advisers call "confidence building," assuring the candidate that he has what it takes to win. He moves on to an assessment of the nature and strength of the candidate's base and the need to target specific groups, cautioning against what might be perceived as class warfare. He urges his brother to go negative early, even bringing up the character issue (it must be easier to do when your opponent is a murderer, child molester, and "friend of actors"). He then moves brilliantly back to base development, urges his brother to pander, and anticipates Napoleon's advice that a leader should be "a dealer in hope."

Even without the benefit of modern technology, he suggests micro-targeting, crafting specific appeals to the narrowest of segments of the voting public. Then, he recommends what is so often done in modern politics: sucking up and spitting down, that is, paying far more attention to those with great power than to the great unwashed. He stresses the importance of retail politics and offers a fascinating discussion of how and when to say no if you have to.

He recommends George H. W. Bush's courtesy, Bill Clinton's total recall of names and faces, and Barack Obama's focus on getting out the youth vote. He argues for campaigning constantly and incessantly, and cautions against taking vacations during the campaign, since your absence will suggest that you are taking voters for granted. (If Newt Gingrich had gotten such a memo last spring, he might not have lost the bulk of his campaign staff a couple months later.)

Mitt Romney should take heart from the fact that Quintus advocates pandering and overpromising in almost every situation: "If you break a promise, the outcome is uncertain and the number of people affected is small. But if you refuse to make a promise, the result is certain and produces immediate anger in a larger number of voters." Toward that end, he points out the necessity of great advance work to know what people want.

There are always those who say that politics is more negative than ever and that contemporary political consultants are more cynical and unrestrained than their predecessors. Anybody who thinks that just hasn't been paying attention, and should go read Quintus' advice to his brother. He suggests sticking to generalities during the campaign, telling the wealthy you are for stability and peace while assuring the common man that you are always on his side. Oh, and accusing your opponents of "crimes, sex scandals, and corruption." His cynicism, moreover, makes him a trial lawyer's dream: he suggests threatening to take opponents to court at any provocation, no matter how frivolous. He is not particularly interested in the fruits of litigation, but only wants to use it as a tool to produce fear and restraint on the opposing side.

At some point, all high school students ask why they should study history. They are generally told something like, "You need to study it to avoid repeating it." Right. It has been said that history is "one damn thing after another." Reading Quintus' memo, I think the expression should be "the same damn thing after another." I just hope my opponent in the next campaign doesn't get a copy.

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Scoring Obama's Foreign Policy

A Progressive Pragmatist Tries to Bend History

Martin S. Indyk, Kenneth G. Lieberthal, and Michael E. O'Hanlon

As November's U.S. presidential election approaches, foreign policy and national security issues are rising in importance. President Barack Obama is running on a platform of ending the wars in Iraq and Afghanistan while demonstrating toughness against al Qaeda. His Republican opponents charge him with presiding over the United States' decline and demonstrating fecklessness on Iran. The true story is somewhat more complicated than either side admits.

When Obama was sworn into office in January 2009, he had already developed an activist vision of his foreign policy destiny. He would refurbish the United States' image abroad, especially in the Muslim world; end the wars in Iraq and Afghanistan; offer an outstretched hand to Iran; "reset" relations with Russia as a step toward ridding the world of nuclear weapons; elicit Chinese cooperation on regional and global issues; and make peace in the Middle East. By his own account, Obama sought nothing less than to bend history's arc in the direction of justice and a more peaceful, stable world.

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The Decider: Barack Obama in the Situation Room, May 1, 2011

There was inevitable tension between Obama's soaring rhetoric and desire for fundamental change, on the one hand, and his instinct for governing pragmatically, on the other. The history of the Obama administration's foreign policy has thus been one of attempts to reconcile the president's lofty vision with his innate realism and political caution. In office, Obama has been a progressive where possible but a pragmatist when necessary. And given the domestic and global situations he has faced, pragmatism has dominated.

This balancing act has pleased few and provided fodder for Obama's critics. His compromises have been interpreted as signs of weakness, and his inability to produce clean outcomes in short order taken as an indication of incompetence. His efforts to engage competing powers have seemed at times to come at the cost of ignoring traditional allies. Above all, his approach has caused some to question whether he has a strategy at all or merely responds to events.

Such a portrayal, however, misses the point. Obama is neither an out-of-his-depth naif nor a reactive realist. He has been trying to shape a new liberal global order with the United States still in the lead but sharing more responsibilities and burdens with others where possible or necessary. Surrounding himself with experienced cabinet members who are not personally close to him, along with junior advisers who are close but not experienced, Obama has kept the conceptualization, articulation, and sometimes even implementation of his foreign policy in his own hands. Intelligent, self-confident, ambitious, and aloof, he is more directly responsible for his record than most of his predecessors have been.

He has racked up some notable successes, including significantly weakening al Qaeda, effectively managing relations with China, rebuilding the United States' international reputation, resetting the relationship with Russia and ratifying the New Strategic Arms Reduction Treaty (New START), achieving a UN Security Council resolution imposing harsh sanctions on Iran, completing overdue but welcome free-trade accords, and withdrawing U.S. troops from Iraq.

There have also been some notable setbacks, including no progress on resolving the Israeli-Palestinian conflict, very little to show on combating climate change, the United States' continued low standing in the Muslim world, deepening frictions in U.S.-Pakistani relations, a Mexico awash in drugs and violence, an Iran still bent on acquiring the means to produce and deliver nuclear weapons, and a North Korea still developing its nuclear arsenal.

The Obama approach has been relatively nonideological in practice but informed by a realistic overarching sense of the United States' role in the world in the twenty-first century. The tone has been neither that of American triumphalism and exceptionalism nor one of American decline. On balance, this approach has been effective, conveying a degree of openness to the views of other leaders and the interests of other nations while still projecting confidence and leadership.

Judged by the standard of protecting American interests, Obama's foreign policy so far has worked out quite well; judged by the standard of fulfilling his vision of a new global order, it remains very much a work in progress.

ASIA RISING

OBAMA CAME to power envisioning a foreign policy based on three pillars: a changed relationship with the rising powers in Asia, particularly China; a transformed relationship between the United States and the

Muslim world in which cooperation replaced conflict; and reinvigorated progress toward nonproliferation and nuclear disarmament. Even as his election was making history, however, the financial collapse made economic crisis management the new president's top priority in domestic and foreign policy—and limited his options in both.

Arguably the most difficult steps to avert a catastrophe (such as the passage of the Troubled Asset Relief Program and actions to make possible the rescue of key financial institutions) were taken at the end of George W. Bush's term. But Obama still had to determine which institutions to save and take other steps to arrest the economy's free fall and stimulate growth. This had profound implications for Obama's foreign policy, making quick collective action with other powerful economies essential. The administration worked with countries both in and beyond the traditional G-8 club of major powers, turning to the larger but still fledgling G-20, in which all the emerging economic powers are represented.

With his "strategic pivot" to Asia, Obama sought to generate confidence in America's leadership in the region—something many had begun to doubt.

In the end, the danger of each country's acting to protect its own economy at the expense of others was largely avoided, demonstrating a surprising degree of collaborative common sense about shared interests. But the United States' role in precipitating the crisis through the popularization of dubious financial instruments severely tarnished the Washington-consensus model of deregulated markets, reduced deficits, and liberalized trade. A president less open to soothing the international community might have become a lightning rod for global frustrations, and Obama deserves more credit than he commonly receives for avoiding this outcome and helping keep a catastrophe at bay. This same crisis had the result of accelerating perceptions of Beijing's economic rise and Washington's relative decline, something that would complicate U.S.-Chinese relations during Obama's second year in office and pose a broader management challenge for his foreign policy.

From the beginning, the new administration sought more active engagement with Asia, trying to improve U.S. ties with friends and allies and cooperating with China on bilateral, regional, and global issues. The Obama team accepted that China's relative importance in the world was growing and that the United States could no longer exercise the degree of leverage that it had previously.

Despite concentrated attention, however, the administration's efforts to work more closely with China have not gone smoothly. A major deterioration in relations has been avoided, reflecting the underlying maturity of U.S.-Chinese relations and the long-standing desire of both countries' leaders to keep disagreements within bounds. Regular high-level meetings have created strong incentives for stabilizing relations and articulating areas of cooperation, but subsequent implementation of the intentions expressed at these meetings has often fallen short.

One of the administration's major goals has been to have China become a responsible player in the current liberal international order, one that accepts the system's basic goals and rules and contributes to their overall success. However, the administration has found that China's rapid rise in global standing has created enhanced expectations too quickly for Beijing to absorb. Although China is now a major factor in global issues, it still views itself as a developing country whose obligation is first of all to grow its economy, not to take on global responsibilities.

Perhaps the greatest policy failure for both countries has been the inability to mitigate distrust over each other's long-term intentions. Almost every American policy is seen by most in Beijing as part of a sophisticated conspiracy to frustrate China's rise. Washington, meanwhile, has increasingly been disconcerted by these Chinese views and concerned that Beijing seeks to use its economic and growing military power in Asia to achieve both diplomatic and security advantages at the United States' expense. Washington is also well aware that almost every other country in Asia wants the United States to help counterbalance the growing Chinese pressures, but not at the cost of making them choose between the two giants.

Obama's resulting "strategic pivot" to Asia, announced last November, was an attempt to generate confidence in the United States' future leadership role in the region, something many there had begun to doubt. This is a sophisticated, regionally integrated economic, diplomatic, and security strategy, but its full implementation will require disciplined administration management and convincing evidence of the United States' economic resurgence. The strategy of rebalancing toward Asia thus makes sense but risks creating expectations that Washington will not be able to meet while feeding Chinese suspicions, which could lead to a far more irascible U.S.-Chinese relationship. U.S. officials must act adroitly both at home and in Asia in order to realize the strategic benefits they have set in motion instead of generating greater distrust and tension.

MIDDLE EASTERN MORASS

The administration's relations with the Muslim world have provided the most surprise and drama. Obama always intended to continue combating terrorism, but he did not embrace Bush's concept of a "global war on terror." Instead, he sought to wind down the ongoing wars in Iraq and Afghanistan while focusing narrowly on attacking al Qaeda operatives in Afghanistan, Pakistan, and elsewhere, removing the organization as a threat to the United States and the world at large. The administration's success in this area has been among its signature achievements, and Obama can rightly claim that he has ended the Iraq war, persevered in Afghanistan and Pakistan, and essentially decapitated al Qaeda.

In the process, Obama has been tough. He has displayed no naive expectations about the power of his personal charm or vision to resolve matters of war and peace. In Iraq, Afghanistan, and Pakistan, however, stability hangs by a slender thread, and it is not yet clear if the president will be able to achieve both his goals simultaneously, exiting the wars without leaving dangerous messes behind.

On both Iraq and Afghanistan, the administration has displayed an admirable degree of flexibility and adaptation. In Iraq, for example, the president reconciled his earlier campaign positions with the realities he found on the ground. He slowed down the withdrawal of U.S. troops substantially, finally bringing them home in late 2011, in line with the schedule first designed and agreed on by Bush and Iraqi Prime Minister Nouri al-Maliki back in 2008. It is hard to see how an American president could have—or should have—retained U.S. forces abroad

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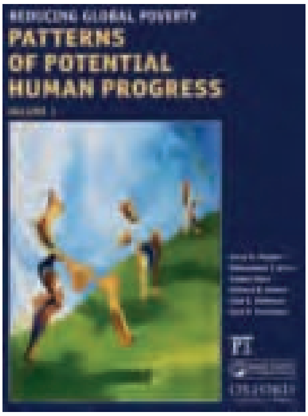

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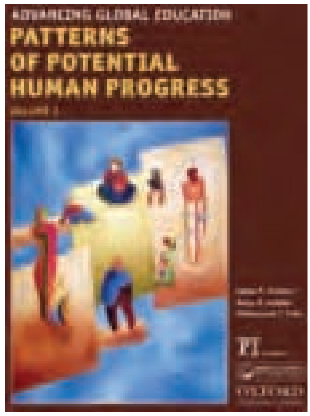

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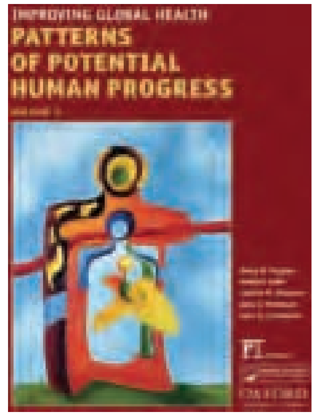

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in a country that was not willing to have them remain there under a normal legal framework. Nevertheless, Obama's crowing about the finality of the troop withdrawal was inappropriate given that his administration was on record as having tried to reach an accord with the Iraqis to keep the troops deployed there longer. At the same time, it is better for the future of U.S. military intervention abroad that the United States reestablished its reputation for leaving when asked instead of remaining where it was not wanted.

Obama decided to devote far more resources than his predecessor to both Afghanistan and Pakistan. But the intractable nature of the problems there and the deep divisions within the administration over how to handle them have kept success at bay. Practically every senior national security official has had his or her own priorities when it comes to AfPak, and so it is hardly surprising that locals there could never quite figure out if the United States was staying or going or if Washington saw them as friends or foes. This naturally led to hedging behavior from key local figures and a failure to achieve objectives as effectively as possible. Having invested so much in a robust Afghanistan strategy that sought to weaken the insurgency and build up the Afghan state's institutions, Obama will, in a possible second term, need to engineer a carefully designed troop drawdown through 2013 and 2014, when Afghan forces are set to assume primary responsibility for security throughout the country.

The Arab awakening is the biggest curveball thrown at Obama to date. He has managed the turmoil and tensions relatively well.

Middle East diplomacy, meanwhile, has been the source of the greatest gap between promise and delivery in the Obama record and the greatest frustration for the president. This is ironic given that Obama vowed to make Middle East peacemaking a priority from day one of his presidency. Critics have been unanimous in seeing the president's biggest mistake as focusing on an unrealistic demand for a full freeze on Israeli settlement activity in the occupied territories. By insisting on such a freeze, they argue, Obama drove Palestinian President Mahmoud Abbas away from the negotiating table (since he could not be seen as accepting something less than the U.S. president himself had demanded of the Israelis), and then by achieving less than his stated objectives, Obama damaged U.S. credibility as a mediator in the conflict.

Obama's demand was logical: restricting settlement activity should have improved the environment for negotiations and reduced Palestinian mistrust of Israeli intentions. The Palestinian Authority had made progress on Bush's watch in fighting terrorism, and it was reasonable for Obama to expect that Israel would in turn fulfill its reciprocal obligations by restricting settlement activity. Memories of how then Israeli Prime Minister Benjamin Netanyahu had driven a truck through a loophole allowing "natural growth" in the settlements during the Clinton administration, moreover, increased the determination of some of Obama's senior advisers who had been around then to support his desire for a full freeze.

But when Obama, following his pragmatic instinct, gave George Mitchell, his special envoy to the Middle East, a green light to negotiate something less than a complete settlement freeze with a newly elected Netanyahu, the president failed to adjust his declared objective. This opened up a gap between what the administration was publicly demanding and the reality of what it eventually achieved (a problem that also emerged with the president's speech envisaging a Palestinian state welcomed into the 2011 session of the UN General Assembly, something that the administration would ultimately have to reject). The effort generated bad blood in U.S.-Israeli relations and a settlement moratorium that disappointed the Arabs.

In fact, in general, Obama's relations with the Israelis have been curiously tone-deaf. His blockbuster Cairo speech in 2009 was clearly directed at the Arabs, but there were no corresponding visits to Israel or speeches directed at the Israelis, with the result that he lost Israeli public opinion early on. This, in turn, helped frustrate the president's peace diplomacy by diminishing his potential leverage over Netanyahu, who follows the polls obsessively and realized that he had more to gain than to lose at home from defying a president perceived as hostile. From Vice President Joseph Biden and former White House Chief of Staff Rahm Emanuel to Secretary of State Hillary Clinton and Clinton's adviser Dennis Ross, Obama had an array of advisers who recommended greater efforts to try to change Israeli minds, but the president himself thought he could win Israel over with stepped-up security backing, not understanding that what the Israeli public really craved was his attention and affection.

All this might have been forgotten or forgiven if Obama had succeeded in bringing the Arab world around to a more encouraging diplomatic stance. But when he proved unable to fulfill his promises to resolve the Palestinian problem and to close Guantánamo, the Arab street became disillusioned with Obama as well, eventually turning its back on him when he pivoted toward Israeli positions as his reelection approached. The president ended up with the worst of both worlds, losing the support of the Israelis and the Arabs and achieving nothing.

To be sure, Obama did not have willing partners in Netanyahu and Abbas. But his missteps ended up letting them both off the hook. If he decides to try again in a second term, he will need Israeli and Palestinian partners willing to take risks for peace and defend the necessary and painful compromises. But he will also need to work much more with, rather than against, them.

SPRING FORWARD?

The Arab awakening is the biggest curveball thrown at Obama to date. The president has managed the turmoil and tensions relatively well, recognizing that these revolutionary stirrings are not about the United States and that he therefore has limited ability to affect their outcomes. Unlike during the protests in the wake of the June 2009 Iranian elections, when Obama muted his criticism while the Iranian regime suppressed the pro-democracy movement, the president has put the United States' voice behind popular demands for freedom and democracy across the Arab world and assisted in toppling unpopular dictators in Egypt, Libya, and Yemen, while doing his best to protect U.S. interests in stability in the Gulf. There have been tactical missteps: the humiliation of Egyptian President Hosni Mubarak, the failure to push effectively for meaningful reforms in Bahrain, and the subsequent slowness to push for Syrian President Bashar al-Assad's ouster. But in general, Obama's instinctive idealism has put the United States on the right side of history, and his innate pragmatism has served him well in striking a new balance between American values and the United States' strategic interests in a volatile region.

In Egypt, Obama's support for the preservation of the military's role was important in achieving a quick start to the transition process, but betting on the Egyptian military as the midwife of Egyptian democracy has not quite worked out as hoped. Although the Supreme Council of the Armed Forces (SCAF), Egypt's temporary ruling body, has reiterated its intention to honor all of the country's international obligations, including the peace treaty with Israel, it has proved feckless in handling popular demands and protecting minority rights. Worse than that, instead of ensuring the orderly transition that Obama sought from the early days of the revolution, the military has tried to protect its special interests and place itself above the constitution.

In demanding that the SCAF abide by Egypt's recent election results and allow the Islamists to take power, Obama is betting that rather than attempting to impose sharia on a quarter of the Arab world's population, the Muslim Brotherhood, out of a need to generate tangible results for those who voted for it, will prefer the stability that comes from cooperating with the United States and preserving the peace treaty with Israel. Obama has made a judgment that it will be less damaging to U.S. interests to try to shape this dramatic development than to encourage its suppression. But it is a gamble; standing on the right side of history now means accepting that one of the United States' most important Arab partners will be led by Islamist religious parties and betting that their pragmatism will outweigh their ideological opposition to liberalism, secularism, and U.S. regional objectives.

The shakiness of the United States' strategic relationship with Egypt, however, is offset by the strategic windfall coming from the troubles of Syria, Iran's one Arab ally. Cutting off the Syrian conduit for Iran's meddling in the affairs of the Arab-Israeli heartland would represent a major strategic setback for Iran. Already, Assad's international isolation and preoccupation with his country's severe internal challenges have significantly reduced his ability to support Iran's proxy Hezbollah in maintaining its grip on Lebanon. Meanwhile, Hamas is busy moving out of the Iranian orbit and into the Egyptian camp as the influence of its Muslim Brotherhood patron in Egypt rises, manifested in the withdrawal of Hamas' external headquarters from Damascus and the cutoff of Iranian aid to the group.

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Libya was always a strategic sideshow. Obama helped achieve the relatively low-cost overthrow of a brutal dictator there, supporting the military intervention of NATO's European allies, which had a greater stake in the outcome. But there were indirect costs. By repeatedly calling for Muammar al-Qaddafi's overthrow when the UN Security Council resolution that justified NATO's military intervention provided for no such thing, Obama confirmed Chinese and Russian charges that the West would distort the intentions of UN resolutions on the matter for its own purposes. The unintended consequence was that China and Russia, as well as the emerging powers on the Security Council (Brazil, India, and South Africa), are no longer willing to countenance UN Security Council resolutions that could lead to military interventions to overthrow regimes elsewhere in the Arab world. This has made it more difficult for Obama to isolate the Assad regime.

Meanwhile, Obama's balancing of American values and interests is likely to be put to the test in the Persian Gulf sooner rather than later. Saudi Arabia seems determined to hold back on political reform at home, prevent it altogether in neighboring Bahrain, and carve out an exemption on political liberalization for all the kings and sheiks in its wider neighborhood. This cannot work as a long-term solution, even though the monarchies enjoy greater legitimacy among their people than the pharaohs and generals who have ruled in other parts of the Arab world.

Indeed, it seems likely that no Arab authoritarian regime will remain immune for long from popular demands for political freedom and accountable government. Obama's inclination to let these transitions play out on their own is understandable, but it might well seem shortsighted down the road unless he can find a way to negotiate a new compact with Saudi King Abdullah. Obama needs to convince the king that drawing up a road map that leads eventually to constitutional monarchies in the neighborhood, first in Bahrain, but over time in Jordan and other Gulf Cooperation Council states, too, is the better way to secure these kingdoms and the interests of their subjects.

On balance, it is not clear that a more consistent U.S. policy in the Middle East would have produced better results since the upheavals began. The United States' influence has been inherently limited in most cases. But the net effect of the tumultuous developments in the Arab world, when combined with Obama's failure to achieve an Israeli-Palestinian peace deal and Turkey's determination to play a leadership role in the Arab world at the expense of its relationship with Israel, has left the United States without a consistent strategy beyond reacting to the crosscutting currents of unpredictable events.

NUKES OF HAZARD

OBAMA TOOK office determined "to seek the peace and security of a world without nuclear weapons," as he put it in Prague in April 2009. Russia was critical to this effort, which is why the president sought the reset in relations, designed to remove the frictions generated by expanding NATO's writ to Russia's borders and by Bush's determination to deploy a missile defense system in the Czech Republic and Poland. The New START treaty, signed with Russian President Dmitry Medvedev in March 2010, with its reductions in U.S. and Russian nuclear arsenals, was a manifestation of this new partnership, designed to set an example for the rest of the world.

Iran and North Korea have been at the core of the nuclear proliferation issue. Obama tried at first to engage Iran, but when those efforts bore little fruit, he moved to pressure Tehran instead. As part of his nonproliferation agenda, Obama wanted to ensure that those who broke the rules in this area would face, in his words, "growing consequences," that is, sanctions that "exact a real price." And his efforts first to engage Iran and North Korea gave him greater credibility when he sought broad support for sanctions: hence, the passage of a UN Security Council resolution in June 2010, with China and Russia voting in favor, mandating tougher sanctions against Iran for its violations of the Nuclear Nonproliferation Treaty.

The administration's attempts to change North Korea's behavior have been unproductive, but at least the effort has been handled in a way that has generated other important diplomatic benefits for the United States. Through its clear articulation of the consequences of ongoing nuclear and missile development for the U.S. deployment of military assets in Northeast Asia, the administration has increased

China's incentives to try to constrain North Korea. The White House has also adeptly worked with Seoul to come to an understanding on how to handle Pyongyang, and as a consequence, the U.S.–South Korean alliance is probably as strong as it has ever been. Extensive consultations with Japan have helped improve American relations with the government there, as well, and reduced the risks to the U.S.-Japanese alliance from the Democratic Party of Japan's victory after over five decades of virtually unbroken rule by the Liberal Democratic Party.

Similarly, notwithstanding the tensions with Israel over the Palestinian issue and with Saudi Arabia over the Arab awakenings, close coordination against Iran with these two critical Middle Eastern allies has increased the effectiveness of U.S. strategy.

As of the time of this writing, Iran and North Korea retain their nuclear and ballistic missile programs; Iran, especially, is thumbing its nose at the international community; and both countries are making their neighbors nervous. But both are also facing the "growing consequences" that Obama warned them about in his Prague speech. And through painstaking diplomatic efforts, Obama has succeeded in convincing China and Russia to cooperate with his broader arms control agenda and with UN Security Council efforts to inflict increased costs for Iran's and North Korea's recalcitrance. That, together with other measures, has forced Iran's leaders to contemplate the dire consequences of their country's nuclear advance and has possibly persuaded North Korea to reconsider the steps necessary to reactivate the six-party talks. In addition, Obama's actions have alerted others that "going rogue" is costly.

Although there have been no breakthroughs when it comes to disarming the world yet, Obama has strengthened the international community's commitment to nonproliferation and nuclear disarmament. Consequently, Iran and North Korea face growing isolation from the emerging global order that Obama is shaping. The giant question mark hanging over these efforts, however, remains the prospect of Iran's potential acquisition of a nuclear weapons capability. That would deal a blow to the nonproliferation regime—a pillar of the U.S.-led international order—and raise questions about the efficacy of Obama's pressure tactics.

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WHAT NEXT?

Obama's foreign policy has been sensible and serious but not pathbreaking. It has stewarded the nation's interests competently in most areas, with few signature accomplishments (apart from the killing of Osama bin Laden) that might create a distinctive historical legacy. Keeping the country safe and helping prevent an even worse economic meltdown were considerable feats. But they have been measured mostly against negative counterfactuals—bad things that could have happened but were prevented, such as another big terrorist strike or another Great Depression. And the gap between the president's rhetoric and his deeds has generated disappointment at home and abroad among those who did not appreciate that Obama's way of achieving progress is incremental rather than transformational.

The record also leaves the president with no clear road map for the future should he win reelection. The remedy for this situation, ironically, is to refresh Obama's original view of what mattered most: a gradual readjustment of the United States' leadership role in an emerging global order. Over the last seven decades, the U.S.-led international system has encouraged the development and rise of other powers, from Europe to Japan to countries in the rest of Asia, Latin America, and elsewhere. Gradual, directed change that accords these rising powers greater roles in constructively managing the system could benefit most countries, including the United States.

Obama seems to understand this well, but he has not yet developed a clear strategy for achieving it or found a way to persuade the American public of the need for and benefits of such a course. One cornerstone to build on could be the rebalancing toward Asia that the administration rolled out last fall. Fleshed out and managed well, it could yield a reaffirmation of the United States' international leadership for years to come, serving as a framework for trade promotion and investment; a transformation to a leaner, more flexible military working closely with foreign partners; and the reshaping of global and regional organizations to preserve a leadership role for the United States while more accurately reflecting the emerging distribution of power in the international system.

Obama's ability to pursue such a strategy effectively, however, will depend on two other factors: some less-than-disastrous resolution of the Iranian nuclear issue and a revival of the United States' domestic political economy. Should Iran go nuclear, or should Israel or the United States attack it in an attempt to head off that outcome, security issues in the Middle East would once again rocket back to the top of the foreign policy agenda, probably throwing the region into turmoil and pushing other issues onto the back burner yet again. Like Michael Corleone, that is, just when Obama thought he was reducing his involvement in the region, he would be pulled back in, with a vengeance.

The second factor is whether the president will be able to overcome the United States' structural problems of low growth, high unemployment, and an unsustainable trajectory on debt. The global system is based on American political and economic, as well as military, strength. That strength is now being called into question, and the very public domestic political dysfunction in the United States is affecting expectations about the future around the world. There are many dimensions to this issue, but Washington's ability to gain control over its fiscal challenges while making investments that nurture the United States' capacity to adapt and compete in the future will obviously have to be a critical component of any serious program. And at the end of the day, national security budgets can and must be trimmed as well (albeit preferably without the severe reductions of "sequestration").

The United States still has many advantages: the strongest armed forces in the world; a powerful network of allies and partners; a continued lead in research and development; the world's best higher education system, innovation, and high-tech manufacturing; melting-pot demographics and moderate, balanced population growth; a transparent political system and reliable rule of law, which help attract foreign investment; and abundant natural resources, a vibrant civil society, and vast experience in global leadership.

Yet some key trends are heading in the wrong direction, and the country's economic future therefore remains at risk. Put simply, the continued weakening of the United States' economic foundations is incompatible with maintaining long-term national power and a successful foreign policy. The consequences of a failure to arrest American domestic decline for the United States and the world at large will thus reach far beyond any consequences stemming from the president's personal popularity or partisan standing.

FOREIGN AFFAIRS

WORLD TRAVELER

"I have not told half of what I saw."

— Marco Polo, on his travels in Asia

May your travels be expansive and exhilarating; perhaps you will only be able to tell half of what you saw.

Whether Marco Polo made it to China or not, many have enjoyed the extraordinary stories of his travels through the once mysterious continent. Today the differences and distances between East and West are no longer daunting, but rather fascinating, as cultures shift and societies connect in our increasingly globalized world.

It's no secret that investment in Asia is a strategic decision these days — growth in the major ASEAN nations has returned to levels from before the global economic crisis, and China continues its outstanding annual increases in GDP. Our readers understand the political and economic developments that make Asia an attractive place for investment, but this ***Foreign Affairs* World Traveler** feature focuses on the continent as an even more attractive travel destination. Its rich and diverse history, natural beauty, and spectacular man-made structures make Asia a vacation spot like no other. With a population of four billion and 30% of the world's land mass, Asia offers the most culturally and intellectually fulfilling experience on Earth. Asia has the most pristine untouched landscapes *and* the most densely populated centers of technology, finance, and production. Active travelers can trek through the rainforest in Bhutan, climb Everest or Mount Fuji, and explore the coastlines of Vietnam and Thailand. With thousands of years of civilizations, conquerors, and philosophers, Asia invites travelers to experience its history at the temples in Bangkok and Kyoto, the Taj Mahal in India, Angkor Wat in Cambodia, and the Great Wall, Forbidden City, and Terra Cotta Warriors in China. Modern travelers can walk along the Shanghai Bund or Guangzhou's Pearl River in awe of the scope and beauty of the city skyline, shop in Hanoi's covered markets, and try to keep up with the phenomenal pace of Seoul, Tokyo, and Kuala Lumpur.

Singapore Airlines has come a long way since their founding in 1972, evolving from a regional airline to one of the most respected travel brands around the world. They fly one of the youngest aircraft fleets in the world to destinations spanning a network spread over six continents, with the Singapore Girl as their internationally-recognizable icon providing the high standards of care and service that customers have come to expect of us.

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Singapore Airlines made a habit of leading the way, and along the way developed a reputation as an industry trend setter. Its ever-growing list of industry-leading innovations includes the following firsts:

First to offer free headsets, a choice of meals and free drinks in Economy Class, in the 1970s.

First to introduce satellite-based in-flight telephones in 1991.

First to involve a comprehensive panel of world-renowned chefs, the International Culinary Panel, in developing in-flight meals in 1998.

First to offer audio and video on demand (AVOD) capabilities on KrisWorld in all classes in October 2001.

First to operate the world's longest non-stop commercial flight between Singapore and Los Angeles in February 2004 on the A340-500.

First to fly the A380 from Singapore to Sydney on 25 October 2007.

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Botching the Bomb

Why Nuclear Weapons Programs Often Fail on Their Own—and Why Iran's Might, Too

Jacques E. C. Hymans

The chronic problem of nuclear proliferation is once again dominating the news. A fierce debate has developed over how to respond to the threat posed by Iran's nuclear activities, which most experts believe are aimed at producing a nuclear weapon or at least the capacity to assemble one. In this debate, one side is pushing for a near-term military attack to damage or destroy Iran's nuclear program, and the other side is hoping that strict sanctions against the Islamic Republic will soften it up for a diplomatic solution. Both sides, however, share the underlying assumption that unless outside powers intervene in a dramatic fashion, it is inevitable that Iran will achieve its supposed nuclear goals very soon.

Yet there is another possibility. The Iranians had to work for 25 years just to start accumulating uranium enriched to 20 percent, which is not even weapons grade. The slow pace of Iranian nuclear progress to date strongly suggests that Iran could still need a very long time to actually build a bomb—or could even ultimately fail to do so. Indeed, global trends in proliferation suggest that either of those outcomes might be more likely than Iranian success in the near future. Despite regular warnings that proliferation is spinning out of control, the fact is that since the 1970s, there has been a persistent slowdown in the pace of technical progress on nuclear weapons projects and an equally dramatic decline in their ultimate success rate.

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The great proliferation slowdown can be attributed in part to U.S. and international nonproliferation efforts. But it is mostly the result of the dysfunctional management tendencies of the states that have sought the bomb in recent decades. Weak institutions in those states have permitted political leaders to unintentionally undermine the performance of their nuclear scientists, engineers, and technicians. The harder politicians have pushed to achieve their nuclear ambitions, the less productive their nuclear programs have become. Meanwhile, military attacks by foreign powers have tended to unite politicians and scientists in a common cause to build the bomb. Therefore, taking radical steps to rein in Iran would be not only risky but also potentially counterproductive, and much less likely to succeed than the simplest policy of all: getting out of the way and allowing the Iranian nuclear program's worst enemies—Iran's political leaders—to hinder the country's nuclear progress all by themselves.

NUCLEAR DOGS THAT HAVE NOT BARKED

"TODAY, ALMOST any industrialized country can produce a nuclear weapon in four to five years," a former chief of Israeli military intelligence recently wrote in *The New York Times*, echoing a widely held belief. Indeed, the more nuclear technology and know-how have diffused around the world, the more the timeline for building a bomb should have shrunk. But in fact, rather than speeding up over the past four decades, proliferation has gone into slow motion.

Seven countries launched dedicated nuclear weapons projects before 1970, and all seven succeeded in relatively short order. By contrast, of the ten countries that have launched dedicated nuclear weapons projects since 1970, only three have achieved a bomb. And only one of the six states that failed—Iraq—had made much progress toward its ultimate goal by the time it gave up trying. (The jury is still out on Iran's program.) What is more, even the successful projects of recent decades have needed a long time to achieve their ends. The average timeline to the bomb for successful projects launched before 1970 was about seven years; the average timeline to the bomb for successful projects launched after 1970 has been about 17 years.

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International security experts have been unable to convincingly explain this remarkable trend. The first and most credible conventional explanation is that the Nuclear Nonproliferation Treaty (NPT) has prevented a cascade of new nuclear weapons states by creating a system of export controls, technology safeguards, and on-site inspections of nuclear facilities. The NPT regime has certainly closed off the most straightforward pathways to the bomb. However, the NPT became a formidable obstacle to would-be nuclear states only in the 1990s, when its export-control lists were expanded and Western states finally became serious about enforcing them and when international inspectors started acting less like tourists and more like detectives. Yet the proliferation slowdown started at least 20 years before the system was solidified. So the NPT, useful though it may be, cannot alone account for this phenomenon.

A dysfunctional bureaucracy is likely to produce a dysfunctional nuclear weapons project.

A second conventional explanation is that although the NPT regime may not have been very effective, American and Israeli bombs have been. Syria's nascent nuclear effort, for instance, was apparently dealt a major setback by an Israeli air raid on its secret reactor construction site in 2007. But the record of military strikes is mixed. Contrary to the popular myth of the success of Israel's 1981 bombing of the Osiraq reactor in Iraq, the strike actually spurred Iraqi President Saddam Hussein to move beyond vague intentions and commit strongly to a dedicated nuclear weapons project, which lasted until the 1990–91 Gulf War. Moreover, the bombs that the United States dropped on Iraq during that conflict mostly missed Saddam's nuclear sites.

Finally, some analysts have asserted that nuclear weapons projects become inefficient due to political leaders' flagging levels of commitment. But these analysts are reversing cause and effect: leaders lose interest when their nuclear programs are not running well. And some nuclear weapons projects, such as France's, have performed well despite very tepid support from above. The imperfect correlation between the commitment of leaders and the quality of nuclear programs should not be surprising, for although commentators may speak

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casually of "Mao's bomb" or "Kim Jong Il's bomb," the real work has to be carried out by other people.

ARRESTED DEVELOPMENT

A MORE CONVINCING explanation of the proliferation slowdown begins with the observation that during the early days of the nuclear age, most states with nuclear ambitions were in the developed world, whereas since the mid-1960s, most would-be nuclear states have been in the developing world. As proliferation has become a mainly developing-world phenomenon, timelines to the bomb have slowed down dramatically. But the relevant difference here is not primarily economic. Some nuclear programs in very poor states have fared rather well, such the one undertaken by famine-stricken China in the 1950s and 1960s. Conversely, wealthy oil states, such as Iraq and Libya, spent vast amounts on decades-long nuclear quests but still failed.

National income is only one dimension of development, however, and in this case it is not the most important one. As the political scientist Francis Fukuyama has stressed, despite strong rates of economic growth, most developing countries struggle to establish high-quality state bureaucracies. And a dysfunctional bureaucracy is likely to produce a dysfunctional nuclear weapons project.

Nuclear research and development organizations depend heavily on intense commitment, creative thinking, and a shared spirit of cooperation among large numbers of highly educated scientific and technical workers. To elicit this positive behavior, management needs to respect their professional autonomy and facilitate their efforts, and not simply order them around. Respect for professional autonomy was instrumental to the brilliant successes of the earliest nuclear weapons projects. Even in Stalin's Soviet Union, as the historian David Holloway has written, "it is striking how the apparatus of the police state fused with the physics community to build the bomb. . . . [The physics community's] autonomy was not destroyed by the creation of the nuclear project. It continued to exist within the administrative system that was set up to manage the project."

By contrast, most rulers of recent would-be nuclear states have tended to rely on a coercive, authoritarian management approach to advance their quest for the bomb, using appeals to scientists' greed and fear as the primary motivators. That coercive approach is a major mistake, because it produces a sense of alienation in the workers by removing their sense of professionalism. As a result, nuclear programs lose their way. Moreover, underneath these bad management choices lie bad management cultures. In developing states with inadequate civil service protections, every decision tends to become politicized, and state bureaucrats quickly learn to keep their heads down. Not even the highly technical matters faced by nuclear scientific and technical workers are safe from meddling politicians. The result is precisely the reverse of what the politicians intend: not heightened efficiency but rather a mixture of bureaucratic sloth, corruption, and endless blame shifting.

Although it is difficult to measure the quality of state institutions precisely, the historical record strongly indicates that the more a state has conformed to the professional management culture generally found in developed states, the less time it has needed to get its first bomb and the lower its chances of failure. Conversely, the more a state has conformed to the authoritarian management culture typically found in developing states, the more time it has needed to get its first bomb and the higher its chances of failure.

Of course, not all developing states share the same model. For instance, as the political scientist Samuel Huntington famously argued, the Soviet Union's "bureaucratic" form of communism was merely a variation on the basic archetype of the western European state. Thus, although the Soviet Union was bad at many things, it was good at "big science." Likewise, China's successful nuclear weapons project took place at a time when the Chinese Communist Party was still clinging to the Soviet bureaucratic communist model, despite Chairman Mao Zedong's best efforts to wreck it. The Chinese nuclear program fared poorly when Mao was manhandling the party, but it fared well when the party was able to keep him at bay, which it managed to do just long enough to attain the bomb.

THE IRAQI NUCLEAR MIRAGE

The case of Iraq's nuclear activities in the 1980s might seem to contradict the idea that the global proliferation slowdown has resulted from poor management practices. After all, according to the conventional wisdom in Washington, Iraq had come to within just a few months of

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obtaining its first bomb when the Gulf War serendipitously intervened. But in fact, the Iraqi case provides a clear instance of authoritarian mismanagement leading to an inefficient nuclear weapons project.

In the years leading up to Israel's 1981 attack on Iraq's half-built Osiraq reactor, Iraq's nuclear program had been ravaged by one of Saddam's periodic fits of peremptory dismissals and jailings of officials and scientists. But immediately after the strike, Saddam released Iraq's top nuclear scientist, Jafar Dhia Jafar, from house arrest and reinstalled him as the head of the nuclear program. (Jafar had been detained after objecting to the jailing of another top nuclear scientist.) Jafar's return marked the beginning of Iraq's dedicated nuclear weapons project. For a while, the project progressed well. The Israeli attack had awakened the nationalist pride of Iraq's nuclear scientists, and they were determined to succeed.

But in the mid-1980s, the program fell victim to a power grab by Hussein Kamel al-Majid, Saddam's powerful son-in-law. Kamel's reign over the nuclear program was almost a caricature of a coercive management approach. He imposed unrealistic deadlines for technical progress, causing machines and human beings alike to crack under the pressure. He pitted scientists against one another in brutal competition, forcing them to duplicate work that others had already completed. When progress toward the bomb appeared to stall, he demanded dramatic technical changes, rendering prior work practically meaningless. And his pursuit of sensitive materials on the international black market was so blatant that by the end of the 1980s, even the sleepiest nonproliferation watchdogs had begun to take notice.

Kamel relentlessly bullied his scientists, with predictable results. For instance, in 1987, he asked Mahdi Obeidi, the leader of the team tasked with building gas centrifuges, how long it would take to get the first one up and running. Obeidi imagined two years but, fearful of displeasing Kamel, said one year. In response, Kamel told Obeidi that he had 45 days. The result was a mad dash that caused the finely crafted, costly centrifuge rotor to crack on its first test run. Thanks to this rampant mismanagement, Iraq still had not produced any weapons-grade highly enriched uranium at all by the time the Gulf War intervened, even after spending $1 billion on ten years of work and despite successfully concealing the bulk of its program from the outside world. The Iraqi program was a "spectacular failure," according to Robert Kelley, a former inspector for the International Atomic Energy Agency (IAEA). "This was probably one of the most expensive undertakings in the history of mankind in terms of dollars spent to material produced."

After the Gulf War, international inspectors were shocked to find many large, well-equipped secret nuclear facilities in Iraq. With all that fancy equipment, Iraq probably could have built the bomb within a couple of years—if it had been able to count on a well-motivated, professional scientific and technical team. But by 1991, after years of coercive, authoritarian mismanagement, Iraq's scientific and technical workers had become exhausted, cynical, and divided. Most security analysts have been slow to understand this reality and have perpetuated the myth that Iraq was very close to building a bomb before the Gulf War.

Outside analysts have also overstated the threat posed by Iraq's "crash program," which was launched immediately after Saddam's 1990 invasion of Kuwait. The crash program was a last-ditch attempt to make a bomb with highly enriched uranium reactor fuel that Iraq had legally purchased under international safeguards in the late 1970s. In retrospect, those transfers should not have been permitted. But Iraq's management problems affected the crash program just as much as they affected every other aspect of the nuclear weapons project. As a result, even the crash program was badly stalled before the end of the Gulf War. Hence, from a strategic point of view, it did not matter that U.S. bombs missed Iraq's nuclear sites in 1991, because the Iraqi nuclear program had already crumbled from within.

CAVEAT EMPTOR

IRAQ'S EXPERIENCE notwithstanding, many proliferation analysts insist that although technologically backward states might not have been capable of nuclear weapons development in the past, they can now simply purchase all they need in the freewheeling globalized marketplace. Admittedly, illicit nuclear entrepreneurs—such as A. Q. Khan, the rogue Pakistani scientist who sold nuclear technology to Iran, Libya, and North Korea—do pose a threat. But international nuclear technology transfers often fail because the dysfunctional states that are trying to get the bomb are hardly any better at exploiting foreign nuclear know-how than they are at developing their own.

Libya's misbegotten nuclear weapons project reflects this general pattern. Despite buying all the items in Khan's catalog, Libya was unable to "put them together and make them work," according to a 2005 U.S. government report. Indeed, when IAEA inspectors gained access to Libyan nuclear facilities after Libya's president, Muammar al-Qaddafi, abandoned the project in 2003, they found much of the imported merchandise still in its original packing crates.

As for some analysts' terrifying predictions of ex-Soviet nuclear scientists and technicians leaving home en masse to further the nuclear ambitions of rogue regimes, this is more the stuff of Hollywood than a genuine problem. Ex-Soviet researchers vastly prefer the professional establishments of the West over the secret lairs of brutal dictators. Moreover, developing-state rulers need to be wary of recruiting outsiders, since the few genuine nuclear experts available can be hard to distinguish from the scores of frauds and spies also on the market. Take, for instance, the case of Argentine President Juan Perón's post–World War II recruitment of Nazi scientists. This was perhaps the most successful effort to produce a reverse scientific brain drain in history. Yet Ronald Richter, the Austrian physicist whom Perón chose to head his nascent nuclear program, turned out to be part con man and part madman. Perón realized his error only after the snickering worldwide reaction to his 1951 announcement that Richter had succeeded in producing controlled fusion.

TARDY IN TEHRAN

IN THE intensifying crisis over Iran's nuclear activity, the great proliferation slowdown has gone all but unmentioned. Yet this robust global trend clearly indicates a need to guard against any hasty conclusion that Iran's nuclear program is about to achieve its ultimate aims. Iran's nuclear scientists and engineers may well find a way to inoculate themselves against Israeli bombs and computer hackers. But they face a potentially far greater obstacle in the form of Iran's long-standing authoritarian management culture. In a study of Iranian human-resource practices, the management analysts Pari Namazie and Monir Tayeb concluded that the Iranian regime has historically shown a marked preference for political loyalty over professional qualifications. "The belief," they wrote, "is that a loyal person can learn new skills, but it is much more difficult to teach loyalty to a skilled person." This is the classic attitude of authoritarian managers. And according to the Iranian political scientist Hossein Bashiriyeh, in recent years, Iran's "irregular and erratic economic policies and practices, political nepotism and general mismanagement" have greatly accelerated. It is hard to imagine that the politically charged Iranian nuclear program is sheltered from these tendencies.

It is surely more difficult to assess the quality of Iran's nuclear management than it is to count the number of Iranian centrifuge machines. But such an assessment is vital, because the progress of Iran's program will depend on how much professional autonomy its scientists and engineers are able to retain. In the meantime, a number of broad lessons from the great proliferation slowdown can help provide a more sober assessment of the situation.

The first lesson is to be wary of narrow, technocentric analyses of a state's nuclear weapons potential. Recent alarming estimates of Iran's timeline to the bomb have been based on the same assumptions that have led Israel and the United States to consistently overestimate Iran's rate of nuclear progress for the last 20 years. The majority of official U.S. and Israeli estimates during the 1990s predicted that Iran would acquire nuclear weapons by 2000. After that date passed with no Iranian bomb in sight, the estimate was simply bumped back to 2005, then to 2010, and most recently to 2015. The point is not that the most recent estimates are necessarily wrong but rather that they lack credibility. In particular, policymakers should heavily discount any intelligence assessments that do not explicitly account for the impact of management quality on Iran's proliferation timeline.

The second lesson of the proliferation slowdown is that policymakers should reject analyses based on assumptions about a state's capacity to build nuclear programs in secret. Ever since the mid-1990s, official proliferation assessments have freely extrapolated from minimal data, a practice that led U.S. intelligence analysts to wrongly conclude that Iraq had reconstituted its weapons of mass destruction programs after the Gulf War. The United States must guard against the possibility of an equivalent intelligence failure over Iran. This is not to deny that Tehran may be keeping some of its nuclear work secret. But it is simply unreasonable to assume, for example, that Iran has compensated for the problems it has faced with centrifuges at the Natanz uranium-enrichment facility by hiding better-working centrifuges at some unknown facility. Indeed, when Iran has tried to hide weapons-related activities in the past, it has often been precisely because the work was at the very early stages or was going badly.

The third lesson is that states that poorly manage their nuclear programs can bungle even the supposedly easy steps of the process. For instance, based on estimates of the size of North Korea's plutonium stockpile and the presumed ease of weapons fabrication, U.S. intelligence agencies thought that by the 1990s, North Korea had built one or two nuclear weapons. But in 2006, North Korea's first nuclear test essentially fizzled, making it clear that the "hermit kingdom" did not have any working weapons at all. Even its second try, in 2009, did not work properly. Similarly, if Iran eventually does acquire a significant quantity of weapons-grade highly enriched uranium, this should not be equated with the possession of a nuclear weapon.

The fourth lesson is to avoid doing anything that might motivate scientific and technical workers to commit themselves more firmly to the nuclear weapons project. Nationalist fervor can partially compensate for poor organization. Therefore, violent actions, such as aerial bombardments or assassinations of scientists, are a loser's bet. As shown by the consequences of the Israeli attack on Osiraq, such strikes are liable to unite the state's scientific and technical workers behind their otherwise illegitimate political leadership. Acts of sabotage, such as the Stuxnet computer worm, which damaged Iranian nuclear equipment in 2010, stand at the extreme boundary between sanctions and violent attacks, and therefore they should be undertaken only after very thorough consideration.

Traditionally, nonproliferation strategy has revolved around persuading leaders to stop desiring nuclear weapons and depriving nuclear scientists of the tools necessary to build them. But scientists have motivations, too, and policymakers must keep in mind this critical third dimension of nuclear programs' efficiency. The world is lucky that during the past few decades, the leaders of would-be nuclear weapons states have been so good at frustrating and alienating their scientists. The United States and its partners must take care not to adopt policies that resolve those leaders' management problems for them.

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Europe After the Crisis

How to Sustain a Common Currency

Andrew Moravcsik

From the start, the euro has rested on a gamble. When European leaders opted for monetary union in 1992, they wagered that European economies would converge toward one another: the deficit-prone countries of southern Europe would adopt German economic standards—lower price inflation and wage growth, more saving, and less spending—and Germany would become a little more like them, by accepting more government and private spending and higher wage and price inflation. This did not occur. Now, with the euro in crisis, the true implications of this gamble are becoming clear.

Over the past two years, the eurozone members have done a remarkable job managing the short-term symptoms of the crisis, although the costs have been great. Yet the long-term challenge remains: making European economies converge, that is, assuring that their domestic macroeconomic behaviors are sufficiently similar to one another to permit a single monetary policy at a reasonable cost. For this to happen, both creditor countries, such as Germany, and the deficit countries in southern Europe must align their trends in public spending, competitiveness, inflation, and other areas.

Aligning the continent's economies will first require Europe to reject the common misdiagnoses of today's crisis. The problem is not primarily one of profligate public sectors or broken private sectors in debtor countries. It is rather the result of a fundamental disequilibrium within the single currency zone, which applies a single monetary policy and a

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single exchange rate to a diverse group of countries. Policy proposals for budgetary austerity, the micromanagement of national budgets, fiscal federalism, bailouts, or large funds to stave off speculators are insufficient to solve this problem alone. Instead, Europeans should trust in the essentially democratic nature of the EU, which will encourage them to distribute the costs of convergence more fairly within and among countries. The burden must be shifted from Europe's public sectors and deficit countries to its private sectors and surplus countries. If this does not occur, the survival of the euro will be called into question and Europe will face a long-term economic catastrophe that could drain its wealth and power for the rest of this decade and beyond.

A RISKY BET

Since Europe began cooperating on monetary issues in the 1970s, nearly every agreement has been negotiated on terms set primarily by Germany. The 1992 Maastricht Treaty, which committed Europeans to the euro, was no exception. Germany's main motivation for a single currency, contrary to popular belief, was neither to aid its reunification nor to realize an idealistic federalist scheme for European political union. It was rather to promote its own economic welfare through open markets, a competitive exchange rate, and anti-inflationary monetary policy. Most German business and government leaders believed then and believe now that the European economy would be best supported by independent central banks that are like their own Bundesbank, which almost always prioritizes low inflation over growth or employment.

In France, Italy, Spain, and other countries that have traditionally had weaker currencies, politicians viewed monetary union in part as a means to emulate Germany's success by committing themselves to low inflation and low interest rates, reforming the structures of their economies, and encouraging cross-border investment. Yet they also saw the euro as an instrument to bring Germany closer to their own economic models, thereby relaxing external constraints and competitive pressures on their economies. These weak-currency countries had suffered many debt and exchange-rate crises in the 1970s and 1980s that were driven by the gaps in prices, spending, and wages between themselves and Germany. To avoid repeating this, they hoped to encourage

Germany to accept a European structure that would allow for higher domestic spending, wage increases, and inflation. The two approaches would meet somewhere in the middle.

It didn't work. Even Jacques Delors, who was president of the European Commission from 1985 to 1995 and who is often considered to be the father of the euro, told me shortly after the Maastricht Treaty was negotiated that he saw the single currency as a failure because he had been unable to persuade the Germans to compromise. Berlin's nonnegotiable demand in exchange for monetary union was a European central bank that would be even more independent in its design and even more anti-inflationary in its mandate than the old Bundesbank. No provision was made for fiscal transfers or bailouts among European states.

From the start, then, the single currency imposed high risks on some European governments. If deficit countries, such as Greece and Italy, could not persuade Germany to change its behavior, then they were betting their future prosperity on their own abilities to adopt German standards of wage discipline, government spending, and international competitiveness. These were ambitious goals, because such standards are deeply embedded in national social compromises and political histories. The eurozone had to become more of what economists call an "optimal currency area," in which economic behavior is similar enough to justify a single monetary policy.

In practice, getting there would be very difficult, because the euro system required governments to surrender the tools that they had traditionally used to offset their gap with Germany. These had included unilateral control over interest rates and the money supply, restrictions on capital flows, and the manipulation of exchange rates. Faced with a debt or competitiveness crisis, a country would have to act directly to push down economic activity through wages, private consumption, business investment, and government spending. This is a risky course for any government, because it imposes immediate and visible costs across the entire society. Yet the creators of the euro apparently thought other European countries would be able to converge on something resembling the German model, or that Germany itself would relent, because they made few provisions to address bank collapses, sovereign debt crises, or other potential consequences of failure.

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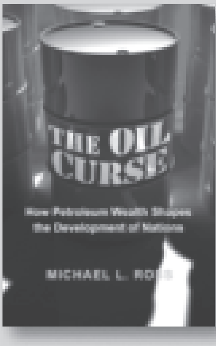

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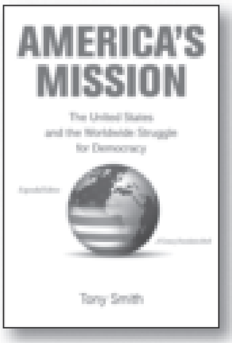

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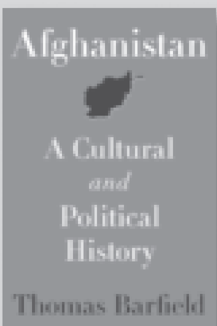

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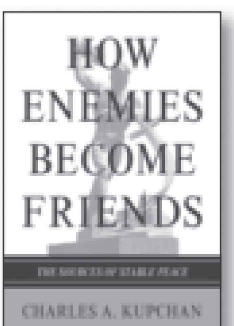

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GROWING APART

AT FIRST, other European economies seemed to bring their policies in line with Germany's, as optimists had expected. Weak-currency governments restrained wages, government spending, and consumption—or presented statistics that made it seem as if they had done so. Adopting the euro reduced interest rates for these countries and encouraged northern European lending to their economies, stimulating growth.

Yet underneath the surface, the eurozone was a ticking time bomb. Europe's economies once again grew apart, the consequences of which were made clear after the U.S. and British financial collapses in 2008. Deficit governments immediately came under pressure from international markets: speculative domestic markets crashed, interest rates rose, external debts ballooned, and growth plummeted. By contrast, Germany, after a short hiccup, has enjoyed an unprecedented economic boom. These disparate trajectories have called into question the viability of the euro.

According to conventional wisdom and the official rhetoric in Germany and elsewhere, the crisis was caused primarily by excessive public spending in a few extravagant eurozone countries. Solving the crisis, and preventing future ones, would therefore simply require imposing tight restraints on government budgets in deficit countries. To this end, the so-called fiscal compact recently negotiated by EU members would, if ratified, enforce budgetary austerity across the continent. Some economists, including Mario Draghi, who now heads the European Central Bank, also believe that cutting budgets is good for growth.

Yet this is a misleading diagnosis. Although some southern European countries, like many Western democracies, might do well to cut government deficits, public profligacy was not the main cause of the crisis. The eurozone countries have relatively prudent fiscal policies; most have run up smaller deficits than Japan, the United Kingdom, and the United States. Greece is the only eurozone country with an average deficit above three percent of GDP, the maximum level permitted by the Maastricht Treaty, and Portugal was the only other one plagued by major public-sector deficits before the crisis. Spain was actually running a surplus. Far more important in causing the crisis was shortsightedness in and lax regulation of the private sector, which bred imprudent banking policies in Ireland, insufficient competition in markets in Italy, and a housing boom gone bad in Spain. Nor is there any reason to blame the crisis on the bankruptcy of the continental social model. The recent solvency and competitiveness of northern European economies suggest that prudent welfare and labor-market reforms can keep the European model viable.

A chorus of German critics, from the tabloid *Bild* to Josef Joffe, the editor of the respectable *Die Zeit*, have blamed the crisis on a unique southern European culture of corruption and inefficiency, which they contrast with northern sobriety. Yet this dichotomy is also misleading. Severe housing and banking crises are hardly specific to southern Europe; they have recently occurred across the Western world. Between 1999 and 2008, despite tough competition from emerging markets and central and eastern Europe, the Greek economy grew by almost a third. All the countries in crisis have nearly matched or surpassed Germany in some combination of growth in gross national product, labor productivity, and hours worked. This explains why ill-fated investment in southern Europe did not come solely from domestic sources; those sober French and German bankers and bondholders helped finance it with low-interest loans.

Germany is acting like the China of Europe.

Although big deficits and broken private sectors may have been part of the problem, the deeper cause of today's crisis lies in contradictions within the euro system itself. Ten years after adopting a common currency, Europe is still not an optimal currency area. Instead, the single currency exaggerates existing differences and eliminated the policy instruments required to overcome them. Bankruptcy in southern Europe and prosperity in Germany are two sides of the same coin.

Greece, Italy, Portugal, and Spain have spent the last decade accumulating large and increasing current account deficits, and so they are accused of inefficiency and overspending. But German policies are equally to blame for the deficits. At the founding of the euro in 1999, the European Central Bank set a continent-wide two percent target for inflation, based on trends in Germany's labor market. Yet Germany subsequently moved the goalposts by dampening its price and wage growth below that level. To see how this helped cause the crisis, consider the most important component in measuring an economy's external competitiveness: the cost of labor per unit produced, also called unit labor costs, which should ideally rise at the same rate as inflation. Between 1999 and 2008, the average unit labor costs in Greece, Italy, Portugal, and Spain rose by one percent per year over the target, slowly rendering their economies uncompetitive and signaling the need for reform. During the same period in Germany, by contrast, sluggish wage growth, weak domestic consumption, labor-market reforms, and cuts in government spending meant that unit labor costs rose by an average of less than one percent per year, well below the European target. Over a decade, this combination of excessive rises in unit labor costs in some places and wage suppression elsewhere generated a 25 percent overall gap in competitiveness between Germany and its European partners. This chiefly benefited Germany's export sector—the only part of its economy to enjoy net growth over the decade—at the expense not just of foreigners but also of German workers and taxpayers, whose wages were not keeping pace with inflation.

Many observers, and not just in Germany, view Germany's competitiveness as the well-deserved fruit of a decade of domestic reform and restraint, during which the government and unions worked together to deregulate labor markets and dampen wages. Southern European countries, they maintain, should simply emulate Germany's success. There is some truth to this view, but it misses the fact that Germany's wage suppression was excessive, fueling both trade imbalances and imprudent international lending. Because Germany is in the eurozone, its external competitiveness was not offset by a rising currency. Germany's real exchange rate today, under the single currency, is roughly 40 percent below where it would be if the deutsche mark still existed. The result: Germany's trade surplus, at $200 billion a year, is the world's largest, even greater than China's. Forty percent of the surplus comes from Germany's trade within the eurozone—a total roughly equal to the combined deficits of the crisis countries.

Accumulating export surpluses and suppressing domestic consumption, moreover, generated a surplus of capital. German banks and investors lent their extra cash to southern Europe at historically low interest rates, ignoring the longer-term risk. So southern Europe's deficits are as much the fault of northern European lenders as they are the fault of southern European borrowers. In using an undervalued currency to accumulate trade surpluses, Germany is acting like the China of Europe. Yet its eurozone membership spares it from the kind of criticism that China regularly suffers.

This euro-induced disequilibrium helps explains why Germany's export-driven economy has recently been growing at three to four percent per year, while neighboring economies remain mired in crisis. Such large imbalances have historically been more than enough to trigger severe crises in debtor economies. Yet in trying to catch up to Germany, southern European governments are further hampered by the euro system, which stripped them of the main tool they had traditionally employed to keep up with their economically competitive neighbors: currency devaluation. Devaluation reduces the price of exports and increases the price of imports, shifting some of the burden of adjusting to deficits to foreigners whose products have become relatively less competitive. The euro has also forced southern European governments to surrender unilateral control over interest rates and inflation as instruments to tweak prices or reduce their debt burdens. The only remaining policy option deficit countries have to make up for the 25 percent competitiveness gap is to drastically cut wages, private economic activity, and government spending, leading to a reduced level of aggregate consumption. In any country, such direct cuts tend to be controversial, politically costly, and difficult to carry out. Germany, meanwhile, although it bears a large part of the blame for the gap, faces no immediate market pressure to share the cost of adjustment.

MONEY IN THE BANK

In the face of these tensions, keeping the eurozone together requires European governments first to address the crisis of liquidity by stabilizing debt-ridden countries and shoring up European banks and then, in the long term, to bring about the fundamental convergence of European economies. The eurozone countries appear to have successfully, if perhaps only temporarily, addressed the first challenge. After two years, bank balance sheets have stabilized, stock and bond markets have rebounded, and the immediate pressure on debtor countries has been relieved. To achieve these goals, the EU, reputed to be slow and cautious, has acted with remarkable flexibility.

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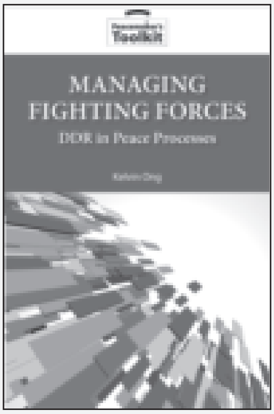

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Starting in May 2010, European leaders created a series of funds that totaled nearly 800 billion euros, including commitments from the International Monetary Fund (IMF) and agreements reached between individual countries, aimed at preventing uncontrolled defaults. A permanent European stability mechanism is slated to take over the function of many of these funds in July of this year, potentially with even more money. The European Central Bank bought bonds from the distressed countries, which were subsequently discounted, although doing so may have violated clauses of the Maastricht Treaty that ban bailouts and monetary financing of budget deficits. In February, European governments forced Greek bondholders to accept a 53 percent loss and lowered the interest rates on the country's remaining debt.

The EU has also stabilized its financial sector. In recent months, the European Central Bank shored up the continent's banking system by offering banks 600 billion euros in three-year loans at the very low interest rate of one percent. It has hinted that it might supply more such loans, if necessary. The EU has passed important new banking regulations, which increase the amount of capital banks must keep on hand, and has clarified its responsibility in regulating banks.

Berlin has exceeded most expectations by consistently supporting such bold actions, in the process taking on great costs and risks. But it has not done so out of idealism or charity, despite Chancellor Angela Merkel's well-timed inspirational calls for greater European political union. Germany is the greatest beneficiary of financial stability and the common currency. A sudden default by a eurozone country or the collapse of the currency itself would devastate the German economy, particularly its export industry. Moreover, because bailouts are unpopular in Germany, EU support for deficit countries has so far offered the most cost-effective and politically expedient way for Berlin to ensure that German banks and bondholders get paid back for their imprudent international loans. It is no surprise, then, that strong support from German businesses has been decisive in ensuring a multiparty majority in the Bundestag behind committing resources to defend the euro.

It is less clear whether the euro serves the long-term interests of the deficit countries. In these countries, the strongest argument for staying in the eurozone has been that the costs of pulling out would be prohibitive. Were Greece to abandon the euro, for example, the costs imposed by the rapid outward flow of capital, the mass bankruptcy of banks and businesses, and the adjustment to a national currency would likely total one trillion euros. And the risks of a Greek collapse pale in comparison to those of the contagion reaching Italy or Spain.

The American and European media have criticized Merkel for her indecisive leadership, which they say has produced a slow European response focused more on imposing austerity than on rekindling growth. It is true that facing unrealistic expectations for recovery, Germany initially opposed bailouts and debt restructuring and then organized loans at punishing interest rates. Only in October 2011, and largely at the insistence of the IMF, did Europe begin to trim Greek sovereign debt. The best technocratic solution might instead have been for Germany to back a swifter and more generous restructuring of Greek debt, with private bondholders in northern Europe taking their share of the losses, and for the EU to provide more generous funding to pull distressed economies through the recession. This might have prevented those economies from accumulating debt, leaving better prospects for tighter budgets and structural reforms in the long term.

A more balanced eurozone is not just a pragmatic necessity; it is a democratic imperative.

Yet expectations for that kind of outcome underestimate the inherent political difficulty of debt negotiations, which involve bargaining with deficit and creditor governments while worrying about the responses of financial markets and taxpayers. Had Greek debt been forgiven sooner, or had a larger "firewall" been created to protect Italy and Spain from collapse, the incentives for the debtor countries to reform would have diminished. Germany is rightly committed to squeezing significant domestic change out of the process, particularly given its willingness to risk funding other countries without a firm guarantee of repayment. In coping with the short-term consequences of the debt crisis, and in saving a system from which they benefit, German leaders have displayed bolder political leadership than at any other time in the history of European monetary integration.

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WHEN IN ROME, DO AS THE GERMANS DO

UNFORTUNATELY, MANAGING the short-term symptoms of the crisis is not enough. Resolving the immediate liquidity crisis has bought European governments several years to address the deeper challenge: how to encourage fundamental economic convergence. For as long as the eurozone countries continue to take such radically different trajectories regarding labor costs, government spending, private-sector behavior, and competitiveness, Europe will remain no more of an optimal currency area than it was when the euro entered circulation.

Now that they know this, most member states today would probably not opt for a common currency. At the eurozone's founding, proponents justified the currency with the claim that painful short-term adjustments would generate long-term economic health. Now, the argument has been flipped: it may have been ill advised to create the euro, but now that it exists, the short-term benefits of sticking with it (compared with the catastrophic alternative) outweigh the long-term costs.

New reform-minded governments have taken office across Europe, led by Mario Monti in Rome, Mariano Rajoy in Madrid, Pedro Passos Coelho in Lisbon, Lucas Papademos in Athens, and Enda Kenny in Dublin. These governments are committed to making the euro work, but they face tough choices. Opposition politicians in Greece and elsewhere increasingly advocate leaving the eurozone rather than enduring austerity. Meanwhile, prominent German business and economic leaders have suggested that Germany could survive in a smaller northern eurozone or with its own currency, as Sweden has. These issues will be resolved not in Brussels or Frankfurt but in national capitals. Preserving the euro in its current form depends on crafting a politically sustainable compromise on which countries and which groups within those countries will shoulder the burden of getting Europe's disparate economies to converge.

The German view—that the future of the euro rests on countries' making tough reforms and cutting public spending—is partially correct. It would be foolhardy for Germany to assume liabilities for deficit countries without such reforms. That is why Berlin has insisted that the EU fiscal compact require governments to incorporate balanced-budget provisions into their national constitutions. Yet this still leaves unresolved two crucial questions about how to distribute the costs of Europe's adjustment, both within countries and among them.

First, how will Europe's private sectors be reformed? Different private-sector wage and business practices are a greater obstacle to economic convergence than different public-sector spending. Yet it is often unclear exactly how national governments can encourage reforms of wage and business practices or how the EU can assure that such reforms are actually implemented. It is often easier for governments to slash public spending than to impose solutions on powerful banks, corporations, or unions. As a result, even if a crisis originates in the private sector, the cost of stabilization often falls disproportionately on public-sector beneficiaries.

Second, which countries will need to chart new economic paths? Germany benefits greatly from the current system, in which deficit countries must do nearly all the adjusting by cutting spending and Germany provides the funding to assure that they repay their loans, which also serves to bail out northern European banks and bondholders. The new fiscal compact would institutionalize this. Yet imposing the primary cost of recovery on deficit countries in the form of austerity is likely to fail both pragmatically and politically. Economies without growth cannot support or sustain debt reduction or structural reform. Even official EU and IMF reports do not project that the current policies will generate sustainable competitiveness and convergence. This is why even Monti, the technocratic Italian prime minister, recently made clear that the deficit countries could embrace austerity and reform only if Germany changed its policies to accept a greater adjustment burden.

The EU will remain the most successful example of voluntary international cooperation in history.

The economist Paul Krugman and others argue that such a burden could come in the form of a more centralized European fiscal federalism. If only Europe possessed a common political identity that supported fiscal transfers among governments—not unlike the transfers among U.S. states carried out through the federal government—the eurozone countries could bring their economies into alignment. This analogy is not entirely persuasive; Europe is not America. Washington allows U.S. states to function under a single currency not through fiscal federalism and orderly bailouts but through local

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Tel: +974 4457 8400 • Fax: +974 4457 8401 • http://cirs.georgetown.edu balanced-budget rules backed by the often brutal departure of firms, capital, and people to more economically buoyant regions. When traditional manufacturing collapsed in Michigan, federal intervention did not save the state from suffering a decade of a shrinking population and shrinking incomes; Michiganders and their money simply moved south. (The intense controversy over the auto-industry bailout proves what an exception it was.) Moreover, northern Europeans are even less willing to support large direct transfers to their foreign neighbors than Americans in southern states are willing to bail out Michigan. Although northern Europeans have accepted European financial bailouts for the time being, such funds are insufficient to salvage large countries, such as Italy and Spain, and so they have not supplanted the need for a more fundamental convergence.

Since austerity and fiscal federalism cannot bear the entire burden of adjustment, particularly for large debtors, Europe's convergence will also require a shift in the domestic policies of Germany and other surplus countries. Berlin must move to increase its public spending, wages, and consumption at a faster rate. This would help bridge the competitiveness gap between surplus and deficit countries, encourage the deficit countries to grow and export more, and reduce current account deficits across southern Europe. A fall in the value of the euro would have a complementary, if weaker, effect. Within Germany, such a shift might well earn support from unions, service industries, the public sector, and left-wing parties, all of which would benefit directly from the policies. The trick is to convince Germany's export industry, its inflation hawks, and Merkel's own conservative coalition that the long-term benefits of a stable currency outweigh the risks of inflation and of the country's commitments to bail out its neighbors. German chancellors have historically been more willing than neoliberal economists and central bankers to contemplate increases in spending and wages, especially around election time.

There is some evidence that Germany is moving in this direction, despite what its politicians and diplomats sometimes say; the costs of inaction in the short term are too high. But absent a deeper convergence, the eurozone's long-term economic fundamentals are stacked against success. Whether or not Germany will ultimately make the tough political decisions required to save the euro will likely depend on the contours of the next financial crisis.

DEMOCRATIC SURPLUS

MANY EUROPEANS complain that the crisis has revealed the EU to be undemocratic. European institutions can appear distant, technocratic, and unfair to the common people, as the scholars Timothy Garton Ash and Larry Siedentop, among many others, have argued. In most cases, such claims contain little truth. The EU remains tightly controlled by elected national politicians. True, each country surrenders some unilateral control over its domestic policy, but in exchange it secures influence over the policies of other countries that affect it. In the EU, concurrent decision-making by national officials and directly elected European parliamentarians amounts to a form of limited government that would make John Locke and James Madison proud. No one's democratic rights are restricted as long as the people of every member state freely choose to act in union, and cooperation preserves the same public input and transparency that Europeans expect in domestic policymaking.

Judged by this standard of democracy, however, the single currency has always come up short. The problem is not the role of technocratic central banks, or even temporary technocratic governments. Nearly every modern country accepts that a credible commitment to monetary stability requires that national central banks be more autonomous than parliaments or presidents. The problem is rather that the European Central Bank is more independent than any comparable national bank—without any obvious technocratic or democratic justification. The reason is instead political; it was Germany's price for creating the euro. The result is a system tilted toward German priorities: low inflation, austerity, and the repayment of creditors.

The political and social costs of adjusting to a common currency, meanwhile, have fallen disproportionately on the poor and the powerless. Over the past two years, the EU has called for cuts in the minimum wage and government spending, but it has asked less of wealthy citizens, bankers, and the citizens of surplus countries. A fairer system would demand better enforcement of income tax collection (on average, rich Greeks illegally withhold one-quarter of what they owe), as well as reforms to housing and business practices. Watching technocratic governments in Greece, Italy, and elsewhere agree to impose what

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appear to be one-sided policies, backed by European authorities, naturally makes many citizens nervous.

This problem makes clear that a more balanced eurozone, in which as much is required of Germany as of debtor countries, is not just a pragmatic necessity; it is a democratic imperative. Still, despite its serious structural biases, at the end of the day, if the eurozone collapses, it will be because of an abundance of democracy as much as a lack of it. Divergence among European states reflects local priorities and preferences. No long-term solution to Europe's woes can be imposed on a member state without the consent of its government, and any government—even the technocratic governments that now sit in Athens and Rome—requires an electoral mandate. (Ireland went even further to secure democratic consent when, in February, it announced that it would put the EU fiscal compact to a referendum later this year.) Democratic governments often find it difficult to commit to the types of long-term reforms that both northern and southern Europe require today. In this case, if they cannot, then the euro will not remain viable.

THE END OF THE AFFAIR?

THE EURO crisis will shape not just the fate of the single currency but also the future of the whole continent. The recent turmoil has made clear that the alignment of European domestic policies is a prerequisite for mutually beneficial cooperation. This is typical of the EU. Where basic national interests and regulatory styles have converged, as in the area of trade, governments have developed strong rules to coordinate their policies, and these policies have remained stable through the crisis. In the areas where countries have not brought their policies in line, regulation remains voluntary and largely national. So the outcome to the euro crisis will depend on how well northern and southern Europe can close the gaps in their macroeconomic behavior. But the difficulties in getting European countries to adopt similar monetary policies suggest that the EU's leaders may have pushed integration as far as it will go.

In this regard, the euro crisis is only the latest development in a two-decade-long trend toward the leveling off of European integration. At the time the Maastricht Treaty was ratified, many observers expected the EU to start regulating more and more policies, including those on social welfare, health care, pensions, criminal justice, education, issues of culture and language, local infrastructure, national politics, and, above all, taxation and fiscal priorities. Little of this has occurred, and Europe now puts forward few policies that open up new areas to centralized regulation. Today, European states retain far more control than Brussels over justice and home affairs, immigration, intellectual property, and social policy. And when the EU does launch a new centralized policy, it is rare for every government to sign on or implement it entirely. Not every EU member uses the euro, just as not every EU member adheres to the Schengen agreement, which eliminated border controls, or participates in all EU foreign policy and defense actions.

Yet none of this vindicates the Euro-pessimists. No country has issued a serious challenge to any of the EU's core activities. Nor has a single prominent European politician advocated withdrawal from the EU, as that would amount to economic suicide. Brussels continues to manage about ten percent of national policies, from business regulation to European migration, under a unified legal system. The union has recently expanded, from 12 members at the time of the Maastricht Treaty to 27 today, leaving lasting movement toward open markets, democracy, and the rule of law in its wake. Countries have not responded to the euro crisis by turning to protectionism or refusing to enforce EU policies, because cooperation in these areas is firmly grounded in common interests. The euro crisis itself has even allowed European policy to intensify in existing areas, such as monetary and banking regulation. And even a collapse of the euro would not jeopardize the existence of the EU, despite what such commentators as Walter Laqueur and Wolfgang Münchau have at times suggested. Whatever the outcome of the crisis, the EU will remain without rival the most ambitious and successful example of voluntary international cooperation in world history.

Still, the crisis does signal that the process of European integration is reaching a natural plateau, at least for the foreseeable future, based on a pragmatic division between national policy and supranational policy. The movement toward the "ever-closer union" of which the EU's founding fathers dreamed when they signed the Treaty of Rome in 1957 will have to stop at some point; there will never be an all-encompassing European federal state. But within the increasingly clear mandate of a stable constitutional settlement, Europe will continue to respond to the challenges of an increasingly interdependent world.

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Ethiopia's Grand Renaissance

Good news from the Horn of Africa is a rare commodity. In recent years, however, Ethiopia seems to be harvesting a healthy crop. In 2007, Africa's oldest independent nation had the fastest-growing, non-oil-driven economy among African countries, and its GDP growth has averaged around 10 percent since then. Ethiopia's five-year Growth and Transformation Plan (GTP) is nevertheless addressing macroeconomic challenges, with intentions to double agricultural production, further develop the industry and manufacturing sector, and diversify its export basket. New infrastructure projects are under way to bring Millennium Development Goals (MDG) within reach, reduce foreign donor aid, and ameliorate the investment climate. Ethiopia knows its strengths lie in a marathon, not a sprint, and the government's long-term development policies reflect this. Does this progress signal the beginning of Ethiopia's revival?

Turning Vision into a Reality: The Five-Year Growth and Transformation Plan

Meles Zenawi
Prime Minister of Ethiopia

On April 2, 2011, Prime Minister Meles Zenawi of Ethiopia laid the foundation of the country's most ambitious infrastructure project to date: the Grand Ethiopian Renaissance Dam. Upon completion, the three-mile-long, 164-foot-high dam will feed Africa's largest hydroelectric power plant, which is capable of producing 5,250 megawatts of energy. Having issued a dedicated Grand Renaissance Bond, the government intends to fund the $4.8 billion project entirely by itself.

This dam quite accurately demonstrates the turning point at which Ethiopia finds itself: with the chance to realize a vision and overcome past and present challenges by pulling resources together and mobilizing citizens, diaspora Ethiopians, and entrepreneurs to invest in the country's future. One of Africa's most stable nations, Ethiopia has outlined its vision in three five-year GTPs. The first phase, 2010-2015, aims to expand the capacity of thousands of small-hold farms and medium-scale agrarian industries into an agro-industrial economy by linking natural resources with booming sectors, including construction, cement, mining, textile, and more.

"Ethiopia will continue having a double-digit growth," states Prime Minister Meles Zenawi, who has been in power for over twenty years. "The economy is expected to expand by more than 11 percent this fiscal year. By 2015, the agriculture sector will take the leading role, and we expect the industrial sector to make a significant contribution. Hydropower will also be instrumental in our economy and in fighting poverty."

Ethiopia forecasts close to $4 billion in export revenue by the end of the 2011-2012 fiscal year, after a diversification into new commodities earned around $2 billion per year in the two previous years. Gold exports overtook oil seeds as the second-largest source of revenue, with exports in the first six months of the fiscal year topping $258.8 million. Coffee kept the top spot last year, earning Africa's largest producer $841.7 million from the export of 196,119 tons, despite lower crop yields.

Improvements in the social sector have certainly made their mark. Whereas education coverage was a mere 20 percent in 1991, gross national enrollment today is around 95 percent, with over 20 million

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students in 21,000 primary and secondary schools, 31 public universities, and more than 60 private colleges. The focus is on fostering engineers, scientists, and entrepreneurs. Ethiopians are also getting healthier, with child mortality down 52 percent over the past decade and a health extension program teaching prevention of communicable diseases that is reversing the spread of major pandemics, including HIV/AIDS.

Major infrastructure projects include an extension of Ethiopia's rail network by 1,200 miles; this will help connect Ethiopia to the new port of Lamu in Kenya, which just announced the discovery of oil. At a colorful celebration marking the start of the $23 billion port, railway, road, and oil pipeline project, Prime Minister Zenawi said that "it is not hyperbolic to say we are making history today."

Each project targets the goals set out in the consecutive GTP plans. Challenges of inflation, rising investment needs, and poverty reduction remain, yet the government's strong determination to transform Ethiopia by 2025 into a vibrant, middle-income economy is paying dividends all around.

Africa's "Diplomatic Capital"

Addis Ababa hosts the 2012 World Economic Forum on Africa

When the new African Union headquarters were inaugurated in Addis Ababa on January 28, 2012, Ethiopia's Prime Minister, Meles Zenawi, called it a "symbol of the African renaissance." A gift from the Chinese government to the African Union, the $200 million building towers 328 feet above the city. It is a testament to Ethiopia's economic growth and stability that Addis Ababa has become the epicenter of a continent's transformation.

Now, in addition to being Africa's diplomatic capital, Addis Ababa will also host the World Economic Forum (WEF) on Africa 2012 on May 9-11 at the Sheraton Addis. The timing couldn't be better; as the rest of the world is undergoing major financial and political challenges, Africa has become the focal point of progress, an age-long promise it is finally showing signs of fulfilling.

Strong leadership will be a main discussion point at the forum, which will be co-chaired by Kofi Annan and the President of the China Investment Corporation (CIC) Gao Xiqing. Interactive, outcome-oriented forum discussions will focus on how investment can be accelerated in frontier markets and on scaling innovation for shared opportunities. "Speeches are strongly discouraged," the event's meeting overview writes, instead inviting all participants to contribute constructively in sessions on topics such as Africa's Green Agenda and From Digital Divide to Digital Dividend.

African nations want to demonstrate their ability to prosper independently—in conjunction with international collaboration rather than by depending on foreign aid. This forum is an invitation to debate where Africa is heading, a dialogue between political, nongovernmental, and industry leaders highlighting the right ideas, models, and solutions emerging from and for the continent. Africa already harbors six of the world's ten fastest-growing economies, and Ethiopia is undoubtedly among them.

The Diaspora Factor

With approximately two million Ethiopians living abroad, the diaspora is being asked to participate in the transformation of its motherland in any way possible. Bonds for the Grand Ethiopian Renaissance Dam have been issued in denominations as low as $50 to encourage more Ethiopians to invest. There are also many cases of nationals returning who see the developments first-hand.

"The diasporas who come and witness the positive change become very enthusiastic about the country's progress" says Elias Melake, a diaspora entrepreneur who returned from the United States and Nigeria to set up eCentric, specializing in data distribution and course management systems for higher education institutions. "I think the majority of the diaspora Ethiopians would like to contribute to the country in great ways. The progress in Africa and the economic transformation taking place are dizzying. New opportunities are opening every day and are being filled up every day. The change is sometimes so fast that it defies analysis."

Melake adds that the best sources of information in these cases are local entrepreneurs. "They are rich in experience and wise in their judgment; a lot of the challenges can be overcome by learning from them. Since Ethiopia is growing rapidly, new and better policies are introduced constantly. To make it happen here and be successful, one has to work hard and adapt to changes as fast as the locals."

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FDI: Fast Track to Progress

Over the past six years, Ethiopia has booked a remarkable annual growth average of 10 percent. Strategic public investment in agro-centric and industry-specific sectors has made a world of difference for one of Africa's poorest nations. But this fast-track economic environment also offers solid incentives for foreign investors, provided they cultivate the development of local expertise and production.

"I think there is a wrong perception that the government is not really into promoting private ventures and investments," says State Minister of Finance and Economic Development Dr. Abraham Tekeste, "but the five-year Growth and Transformation Plan is all about the private sector. When we talk about agriculture, it is about small private farms in their vast majority. When we talk about industrial development, we are basically talking about private sector development." Tekeste adds that as a result of the plan, 43,000 miles of rural roads now connect to 10,000 miles of federal main roads, a new 1,200-mile railroad will enable swift and cost-effective transportation of bulk cargo, and renewable energy projects should secure 8,000 more megawatts of power.

India is the leading private sector investor, with over 450 companies investing a total of $4.35 billion. From horticulture and agriculture, Indian investors are now also diversifying to manufacturing, agro-processing, information technology (IT), and other sectors. The single largest purely foreign investment is by Turkish textile group Ayka, while Saudi-Ethiopian billionaire Sheikh Al-Amoudi's Midroc Ethiopia Group has chosen Ethiopia as its base in Africa. Subsidiary Derba Group is investing an estimated $3.4 billion through seven sister companies over the next five years, while Midroc Ethiopia Investments recently placed a $74 million aggregate bid on five state companies up for privatization.

State Minister of Industry Tadesse Haile says Ethiopia's industry should be driven by exports. "Ultimately those industries are to transform the structural economy of Ethiopia by bringing in technology and diversifying our exports, our source of employment and livelihood for the population. If you take the World Bank's 2011 *Doing Business* report, Ethiopia is regarded favorably better than some of the BRIC countries."

Finally, Finance State Minister Tekeste puts the plans into historical perspective. "Ethiopia is one of the oldest nations, with ancient civilization and history. It once was one of the main centers of civilization and trade. There is no reason why Ethiopia cannot once again be a nucleus of progress, civilization, and growth."

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The Transition from Agrarian to Agro-Industrial

In a continent where food security is today's number-one issue, Ethiopia has not only managed to grow its agriculture sector by 9 percent this year, but has also increased food exports. "The majority of the export share used to be only coffee," says State Minister of Agriculture Wondirad Mandefro. "Now we have diversified into horticulture and are going into the meat and livestock animal export sector. We are the largest producer of chickpeas, fava beans, lentils, haricot beans, and of course common beans. Our agro-ecological set-up in the country's highlands is almost comparable to southern Europe. We cultivate olives in the northern part and apples are widespread in the country. This makes us unique."

An increase in productivity, driven by greater efficiency at the farming level, has been the main reason for this success. The majority of Ethiopian farms are non-commercial smallholdings. These make up almost 95 percent of the country's agricultural output. State Minister Mandefro explains that the primary focus in the Growth and Transformation Plan (GTP) is to improve the productivity of those smallholder farmers so that they can move on from subsistence to export farming. "How can we convince them to adopt best practice, so that everybody as a community gets mobilized? We have set up twenty-five vocational training colleges, which train extension workers, who now count more than 60,000 to 65,000. They are foremost addressing the issue of attitude. Attitude is number one."

Wondirad Mandefro describes how extension workers start a dialogue in which the farmers ask themselves: "'Our neighbor is benefiting, he is changing his life, he is earning and he is getting more. How and why?' So they are debating and are discussing. The ultimate objective is a change of attitude." The answer then lies in extending technologies so that farmers can adopt, know, and build their skills.

"To perform agriculture means to improve the livelihood of each household," says Mandefro, "and since the majority of the population lives in the rural areas, having even a 1 percent increase in agriculture actually implies that a very significant proportion of poverty is reduced." It is from this point onward that Ethiopia has been transitioning into an agro-industrial economy, by modernizing the practices of smallholders and investing in the large-scale development of high-value crops. "We have targeted food security and commercializing agriculture, and all interventions are already in place. We can transform agriculture and through it we can also address poverty from its root."

A Bigger Export Basket

To raise revenues, farmers are encouraged to adopt high-value commodities. Cotton, rubber, sugar, and palm oil can be cultivated in most areas of the country, be it on a smallholder's field or a large-scale industrial farm.

"In some commodities like sesame, we are now one of the top three exporters in the world," says State Minister Mandefro, "and it is still only being grown in selective areas. Agriculture products need to be value-added instead of exported raw."

As such, the Castel Winery, set up in 2008 by the BGI Group, has started producing high-quality Ethiopian wine, says Robel Seido, Castel's marketing and sales manager. "We will export wine regionally and to the United States, where diaspora Ethiopians can get a new taste of their homeland."

Cotton is being manufactured into high street apparel by investors like Ayka Textile, and Ethiopian cattle leather is soon to find its way to global feet as Huajian, the Chinese maker of Calvin Klein footwear, opens a plant near Addis Ababa. Industry Minister Mekonnen Manyazewal says that total shipments of leather and leather products generated $2.8 billion last year, and Huajian might well add an annual $4 billion within a decade. "Big buyers are putting Ethiopia on their radars as a source of industrial products," a gratifying milestone for Ethiopia.

Generating Ethiopia's Empowerment

Large-scale, landmark projects such as the Grand Ethiopian Renaissance Dam, Gilgel Gibe III Dam, and their hydropower stations reveal a profound desire to reinforce economic growth and development. How attainable are Ethiopia's infrastructure plans, and how will they create a better quality of life for 80 million citizens?

Ethiopia counts no fewer than twelve river basins, nine of which might now drastically alter people's lives. Through irrigation development, hydropower, and drinking water sourced from ground and surface reservoirs, the government is hoping to secure 93 to 100 percent utility coverage by 2020.

The real game changer lies in energy generation, as Minister of Water and Energy Alemayehu Tegenu explains. "Our hydropower potential is 45,000 MW, of which we have only developed 2,100 MW. In our Growth and Transformation Plan we have set a target to reach 10,000 MW within the coming five years." The minister says that the Gilgel Gibe III Dam is just over halfway finished and is expected to start producing 1,870 MW as of September 2012. The Grand Ethiopian Renaissance Dam promises an encouraging 5,250 MW when completed in 2015, with excess power to be exported to neighboring nations.

"The Grand Renaissance Dam is one of the biggest in Africa," boasts Alemayehu Tegenu. "Our first priority is to supply power to our economy, our industries, our investments, our domestic users. In this regard, the Renaissance Dam will play a very big role in our development." Currently under construction by Italian contractors, the dam is located upstream from Sudan and Egypt. However, Ethiopia is adamant that the mega-project will not have an adverse impact on downstream communities. "We always want to cooperate with Sudan and Egypt for the equitable utilization of resources; this is our principle," insists Minister Tegenu.

Ethiopia also has abundant geothermal, wind, and solar power potential. In Ethiopia's northern Tigray region, construction has commenced on the Ashegoda Wind Farm, which has a generation capacity of 120 MW. "With regards to geothermal, we have 7,000 MW of potential in the Great Rift system. There is one project under construction in the Langano area for 70 MW." Biomass and biofuel production are also starting in Ethiopia, as the government has chosen decisively in favor of renewable and green energy.

Finally, landlocked Ethiopia is regenerating transport connections with Djibouti and Kenya to bolster East Africa's regional economic integration. In the past year alone, deals were signed for two railway projects and a 500-mile road network, facilitating imports and exports through neighboring ports. The future, it seems, is in full swing.

Exchange, The Last Frontier

Africa takes back its commodity markets

The journey of a coffee bean, from its harvest on a rural Ethiopian plantation to the moment you sip your morning latte, can be long. With 400 billion cups consumed every year, it is the world's most popular beverage and the second most heavily traded commodity, after oil. Strange as it may seem, the price a farmer gets for a bag of his red berries is also determined thousands of miles away, in London and New York. A unique initiative in Ethiopia might now change this.

Dr. Eleni Gabre-Madhin is the founder and CEO of the Ethiopia Commodity Exchange. She says the idea behind its establishment in 2008 was "to create a marketing system of integrity from which all involved parties could benefit. If you could connect buyers and sellers in a more reliable way, then that would have a potential impact on four levels: to make Ethiopia more competitive, promote agro-industrial links to help domestic processing, improve food security through a better internal distribution system, and raise productivity. If farmers have a way to access markets at a national level and get a very clear, transparent pricing and a fair return for their efforts, then they will respond by producing better quality and become more commercially oriented." Today, 12 percent of ECX membership is composed of cooperative unions representing 2.4 million small farmers. "Our market is designed for the small players, and has an end-to-end approach from quality certification, warehousing, and trading all the way up to delivery and logistics."

Today, ECX operates the only Exchange clearing and settlement system in Africa that settles all payments on a "T+1" or next day basis. Market data from ECX disseminates real-time pricing information through SMS updates and a free calling service, which receives over a million monthly calls. "Farmers and small traders in rural areas now know exactly what is happening up the supply chain. For that reason we are seeing prices at the local level converging and correlating much closer with the ECX national price and the New York coffee market." Dr. Gabre-Madhin points out that whereas, in the past, the farmer's share of the final coffee export prices was 35 percent, it is now up to 70 percent. "Last year we traded $1.2 billion dollars of commodities representing almost 55 percent of the country's agricultural export earnings with coffee, sesame seeds, and pea beans. We have been doubling volume every year, servicing 350 members and nearly 11,000 clients today." A fully integrated in-house IT system handles nearly 2,000 daily trades at around $20 million, earning ECX the much coveted CIO100 IT award, the first in Africa, and Africa Investor's Commodity Initiative of the Year in 2011.

The ECX CEO says eighteen African countries interested in replicating Ethiopia's model have visited ECX. "During the last decade, emerging-market exchanges have been growing tremendously and in some sense taking back their commodities. Malaysia has become the world reference price for rubber and palm oil, similar to the Dalian Commodity Exchange in China for soybeans and silver in India's MCX. In essence, Africa is the last frontier of the frontier markets. There is no reason why we can't create an East African coffee index or one for West African cocoa. This is our time, it is Africa's moment. We must take back our commodity markets by transparently referencing prices in our own markets."

Finance Blooms as Ethiopia Goes e-Banking

The fast-growing economy of Ethiopia has fostered a dynamic banking sector. Corporate and project lending has formed the lion's share of Ethiopia's seventeen banks, but as more jobs are created and income is made available, credit services to the public are starting to expand. The sector might not be open to foreign banks yet, but co-funding arrangements for projects is common practice. Where does the sector stand in the current economic climate, and how do institutions align with the government's Growth and Transformation Plan? Two banks give us their views.

Fertile Funding

Established over one hundred years ago during the Ethiopian Empire, the Development Bank of Ethiopia has been promoting the agenda of the country and existing government, specializing in project finance and loans. Today's focus is on financing agriculture, agro-processing, and manufacturing; it is one of the few institutions capable of funding long-term projects. The Development Bank's president, Esayas

Bahre, says the risk factor involved in the sectors it funds is relatively high, a reason why most banks are not willing to engage themselves in it. "If you take agriculture, for example, it is vulnerable to many natural calamities and rainfall problems, many eventualities. We built up the capacity of our employees in such a way that they are able to mitigate such risks and keep on financing the critical sectors of the economy."

Mr. Bahre adds that the bank is developing a database to facilitate the analysis and appraisal of incoming project requests. Due to the high pace of growth in recent years, the challenge lies in keeping the database modernized and up to date. "This needs a vibrant research center." In the past two years, the Development Bank's loan portfolio has jumped from $45 million to $74 million.

By example, the bank started funding long-term horticulture projects five years ago. "Up to now over to 95 percent of the floriculture sector has been financed by us, and over 80 percent of our customers in the flower sector is performing very well. Everybody is committed to do their level best, as Ethiopia is a fertile ground for foreign direct investment."

Core Values

Nib International Bank (NIB) was established only 12 years ago, starting with 27 employees, $1.5 million in paid up capital, 717 shareholders, and one branch office. Today it has 52 branches, nearly 2,000 employees and over 3,500 shareholders. Its share capital grew to nearly $61 million. "There was not one period when we experienced loss; it was always profit," says Amerga Kassa, NIB's president.

This year, NIB is adopting a revitalized core banking system in contract with Swiss software developer Temenos. It will install 60 ATMs and 300 POS terminals, establish a debit and credit card banking consortium with two other banks, and introduce its services through mobile and e-banking for the first time. As for loans, NIB has been involved in some high-profile projects. "Your lending capacity is limited to the capital. Any single borrow limit is 25 percent of the capital. The higher your capital, the more you can extend credit to your customers, and there are big borrowers who have gone up to the single borrower limit. Our single borrower limit is currently over $15.4 million. The government really deserves credit for the establishment and flourishing of private banks. However, private banks need a fair, level playing field," says Mr. Kassa.

Despite Ethiopians' propensity for not saving much, NIB is still branching out into rural areas. "We reach the society by opening branches, and our target for this year is opening ten new ones. Next year that may double. Reaching out to the farmer and the rural areas helps to get the economy moving."

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Industries on the Rise

According to the Ethiopian Investment Agency (EIA), there are four focus areas when it comes to development: textile and garments, leather products, meat and agro-processing of sugar, and farming. But industry is also booming outside these categories. Cement, mining, chemicals, and even car assemblies are on the rise. EIA data shows that by February 2011, thirteen vehicle and tractor plants had been licensed and were starting production, three of which are Ethiopian. Since 2006, the Ethio-Dutch joint venture Holland Car has been producing six passenger models and one locally designed all-road bus, all named after Ethiopian rivers. Based in Mojo, the company now plans to produce Africa's first bio-gas car, as well as the organic fuel to fill it.

"Industries are coming up," says Minister of Industry Mekonnen Manyazewal. "We are just beginning, it takes a long time, but I think we have a committed leadership, a government with zero tolerance for corruption. We can say that there is no systemic corruption in Ethiopia. Everybody who comes acknowledges that this is a peaceful, stable, welcoming country and people."

Minister Manyazewal adds that investment incentives have also drawn many foreign companies. "In terms of exports you are exempt from paying taxes on exported goods for two to seven years, and the import of machinery and material is duty free. One important asset for every investor is access to land. Here land is state owned, it is public property, and government allocates on the basis of strategic importance for the youth. So for industry, or social services, these have concessional access with low lease rates depending on the industrial use."

Mining has also experienced increased activity in exploration and studies, especially for gold and other minerals. Exploratory operations by the National Mining Corp., Nyota Minerals, and Stratex report promising finds that may double Ethiopia's gold production to over twenty tons per year. Gold exports surged 75 percent in 2011, generating an income of $485.3 million.

"Now the plan is to develop industrial zones," continues Mekonnen Manyazewal. "We have already started building two or three sites in Addis Ababa and five or six nationally. The sites in Addis should be ready within six months because investors have already shown interest and we have managed to complete these quickly. They will be one-stop services for the factories."

It may not be a full-scale industrial revolution, but Ethiopian manufacturing and industry are becoming a force to be reckoned with.

Sugar's Sweet Success

Food security first, export production next: this, in short, is the agricultural scope of the first five-year GTP. Ethiopia's sugar industry is earmarked as having great potential, as both soil and climate in various parts of the country are well suited for large sugarcane crops. With only 37 million acres currently in use as farmland in Ethiopia, State Minister of Agriculture Wondirad Mandefro says there's literally a vast expanse of opportunities. "Almost 165 million to 172 million of Ethiopia's 276 million acres are suitable for agriculture use. Our rural development policy states that the country's vast lowland areas will be developed through large-scale farming by the private sector."

The government thus set up Sugar Corporation, a company that would kickstart the mass production of sugar through new plantations to meet growing international demand. It is also building the largest sugar mill in Ethiopia at Tendaho, in Afar state, at a cost of $571 million, $391.85 million of which is a credit facility provided by the Indian government. Heading this "sweet" revolution is Abay Tsehaye, director general of Sugar Corporation. "This corporation was established to make Ethiopia one of the major sugar exporters," explains Tsehaye. "We took ownership of three existing factories and are building ten new plants

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within the next four years."

Phase one includes the designation, appropriation, and cultivation of land. "We will be focusing more on the industrial area in the second five-year plan, which will start in 2015," says Tsehaye. "Until then we will have 657,000 acres of sugarcane plantations as opposed to the 65,000 acres that we have right now. In order to implement this, we are trying to transfer technology from those countries that have the best practice in sugar factories like India and South Africa. We need new species that are of better productivity and lower cost in order to compete internationally."

Sugar Corporation's director says that interested parties from Europe, India, and Brazil have already visited sites. "However, we have to put the infrastructure in place ,since any such ventures will need energy, roads, telephones, and so on. We are giving them the land so they can start work and then we will catch up to have the infrastructure ready." Major dams are to feed irrigation water along areas earmarked for mass farming in the South Omo zone. "The plan is to start from scratch because we are building these factories in areas where there is no activity. Those areas are scarcely populated and you don't have to displace many people. And if you have to displace a few people, you relocate them and you give them irrigated land and infrastructure." Tsehaye, a former national security adviser, says Sugar Corporation will offer investors a "full package of support, helping them in handling local communities. There will be big, state, commercial farms."

With roughly $5 billion of capital investment in the first phase, Sugar Corporation expects to actually start exporting 1.87 million tons of surplus sugar in five years.

Concrete Ambitions

If there is one material that embodies the renaissance that Ethiopia aspires to, it is without a doubt cement. Almost every development needs this building resource, not least the country's various hydropower dam projects, which require an immense amount of concrete.

In order to feed the rapidly rising internal demand, a new venture by Ethio-Saudi billionaire Sheikh Mohammed Hussein Ali Al-Amoudi has created Ethiopia's—and potentially Africa's—largest cement-producing company, Derba Midroc Cement.

"The driver behind its foundation," says Derba Midroc's CEO, Haile Assegide, "was to participate in the Ethiopian development. Eight years ago, a ton of cement in Ethiopia cost $31. Last year it was $315. Sheikh Al-Amoudi's vision was that there should not be any shortage of cement in Ethiopia and its price had to come down." In recent years Ethiopia has had to import 2.5 million metric tons of cement annually from Egypt, Pakistan, and China, with very costly transportation charges. "So when we started production in February

2012 with an 8,000-ton-per-day capacity, the price had already fallen to about $112 per ton."

The company's first plant, located only 43 miles north of Addis Ababa, was set up with a $351 million investment and has a projected annual capacity of 2.5 million tons. By comparison, the Grand Ethiopian Renaissance Dam, for which Sheikh Al-Amoudi pledged $88 million, will require 10 million tons of concrete. "Once the Ethiopian need has been satisfied," Assegide says, "then Derba Midroc will consider exporting regionally, mainly to South Sudan, Djibouti, and Kenya."

The company's CEO says Derba Midroc wants to bring about a change in the business culture of Ethiopia. "We do not want people to come with their cash and put money on our table. We want automation and innovation, bank deposits and an online system to know who has paid. We will also give credit to credible companies. Credit isn't known here, it does not exist. So we want to change this mentality."

Midroc founder Sheikh Al-Amoudi, referred to by many countryfolk as the Beloved Son of Ethiopia, is investing $3.4 billion in his motherland through the Derba Group. It encompasses mining, chemicals, packaging, transport, steel, construction, real estate, water drilling, and cable manufacturing companies. In addition, the Derba Group's Declaration of Establishment commits to alleviating the food shortage problem through its Saudi Star Agricultural Development, "with plans to grow crops like rice, sugar beet, wheat, barley, and maize." Saudi Star has leased nearly 25,000 acres of land in Ethiopia's Gambella regional state, for which it plans to build two rice mill factories. Together with Derba Hotels and Resorts opening up facilities around the country, the Derba Group predicts employment opportunities, both temporary and permanent, "would exceed 370,000 by the time the projects start operation."

With two more cement factories, a steel mill, and a rice plantation in the pipeline, Derba Group wants to reach $5 billion dollars in revenue by 2022, not an unlikely sum judging by the dynamic rate of development in Ethiopia and environs.

Enterprisingly Diversified

Economic diversification in Ethiopia is not limited to the public sector. East African Holdings (EAH), its companies ranging from agri-business to consumer goods and cement to biofuels, has become the hallmark of a successfully diversified Ethiopian family business. With annual revenues of around $100 million, its largest enterprise is the East African Group of fast-moving consumer goods, with over one hundred food, detergent, and packaging products.

Chairman of East African Holdings Buzuayehu T. Bizenu explains how, having established a fifty-acre industrial park outside Addis Ababa in 1997, the family gave a 51 percent share to South African multinational Tiger Brands in 2010, subsequently investing the entire purchase consideration straight back into the company. "Growth has no limit in my group," says Bizenu. "There are lots of immense opportunities in this country. By focusing on two areas like agro-processing and mining, we keep the others as joint ventures and management contracts." EAH is one of the few private sector groups involved in tea farming. "We were the first to start a private plantation, Simba Tea. Originally there were efforts to export to Dubai; we even had our office there. But because of the impressive growth of the Ethiopian economy, we can only maintain the local demand."

The top spot in the EAH portfolio might soon be taken over by its National Cement Share Company. Originally built in 1936 by Italians, Ethiopia's first cement plant was bought by the group during privatization and is now rapidly becoming the biggest indigenous private sector business. The plant at Dire Dawa is being upgraded and will soon start delivering cement to neighboring nations, as it is strategically located near a port corridor in Northeastern Ethiopia. "We are going to move on to a bigger capacity of about five thousand tons of cement per day," says Bizenu, adding that EAH has also entered into an exploratory project to mine coal in the southern state of Oromia to fuel the plants.

When it comes to challenges, Buzuayehu Bizenu is an optimist. "Instead of counting my troubles, I like counting my blessings. The challenge now is the competition, which is coming in from multinationals and other foreign investors." Bizenu points out that this global exposure also has its upside for local consumers and businesses. "These people are coming up with knowledge, resources, and a large network."

Currently counting nearly 5,000 employees, Bizenu has a unique vision to reach a labor force of 100,000. "My strategy is to create one hundred millionaires in my businesses over the next ten years through entrepreneurship. We will offer share options to the employees."

Bizenu says that EAH entities mainly invest in knowledge by hiring both international and qualified Ethiopian employees. "In my company I have several foreign professionals working with local Ethiopian employees, and this has always been my priority. My people are promising and fast learners. We are very lucky here in Ethiopia. We also have a strategy to bring in diaspora Ethiopians as they have no language barriers and can blend in at once."

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Fabric of Life: Why Ethiopian Textile Matters

With an abundance of cotton and labor, Ethiopia is naturally a textile giant in the making. The sector has in fact a longstanding name in fabric production, well known for its traditional hand-woven garments. Ethiopia's first modern factory was built in 1939, and the textile sector has since become one of the largest industrial employers.

For this reason, the first category to be earmarked under the medium and large industries development section of the Growth and Transformation Plan 2010–2015 is the textile and garment industry. It touches a wide gamut of Ethiopian subsectors, with the capacity to maximize cotton production, become an even larger source of employment, induce industrial modernization, and considerably raise foreign exchange export earnings. As such, the government believes the sector can raise its aggregate production value to $2.5 billion by the end of 2015.

"The whole effort is getting the sector geared up for more international exposure by translating the comparative advantage into competitive advantage," says Seleshi Lemma, director general of the Textile Industry Development Institute (TIDI). Established under the Ministry of Industry, TIDI provides support and services all along the value chain, from investment promotion to marketing. Some of the core functions in which TIDI supports investors are consultancy, research and development, training human resources, and laboratory services.

TIDI acts as a matchmaker between local producers and buyers from the United States and Europe, as they constitute the two major destinations for Ethiopian textiles. Seleshi Lemma explains that there are currently ninety medium- to large-scale production units in Ethiopia, covering segments from ginning—the separation of cotton from seeds—to garment manufacturing. "The second category is the small-scale industries with a labor force of ten or less. Microenterprises are of course in the majority." The initiative has been showing encouraging sector results, both in investments as well as export earnings; 2011 exports registered at $62.2 million, up from $14.6 million in 2008.

The future looks even more promising. "We have 3 million hectares available to grow cotton but we are using only about 6 to 7 percent of this resource. You can imagine the potential that we have in this segment," TIDI's director general asserts. "Ethiopia is the second-most-populated country in Africa next to Nigeria. Most of our labor force is under the age of thirty, so you can imagine the role that the young are able to play in that development. Of course the labor cost is extremely competitive when you compare with other countries." Turkish, Chinese, and Indian textile investors have already set up factories in Ethiopia, and the government is now approaching interested parties in Italy, the UK, and the United States. "Some European countries are interested in relocating their facilities, and this happens to be a good opportunity for us."

A Touch of Turkey

As Ethiopian designers gain respect from global fashion circles, the bright colors and quality of local fabric are also catching investors' eyes. "Five years ago the Ethiopian government invited us from Istanbul," recalls Yusuf Aydeniz, group chairman of Ayka Addis Textile and Investment Group. "Already in the second meeting with the trade and industry minister we decided to start a textile factory in Ethiopia. We established the company, opened a bank account, and within three days all the related procedures for the land purchase were done." Within six months the whole project was completed. "A year later we started the machinery installation, and the spinning factory was ready with a daily production of twenty tons of yarn. Now we have two companies here: AYKA Addis Textile and AYKA Addis Construction."

Ayka workflow involves buying local Ethiopian cotton and selling the produced yarn to Germany, Honduras, Egypt, Greece, Turkey, and Yemen. "The second year we started knitting," continues Aydeniz. "We bought twenty knitting machines and started exporting raw fabric. Now we have 133 knitting machines. Very soon we will have a total capacity of forty-five tons of yarn."

Having invested $165 million in the textile company, Ayka now employs 185 Turkish technical staff and about 7,000 Ethiopians who work on three shifts. "The Ethiopian people are very clever, they learn very fast. By our side, we also try to support them in the best way possible, providing them, among else, with food, services, and a clinic. We have our own water treatment plant and make use of steam power in the frame of an ecological system."

Ayka does not sell domestically; for now it only exports to the European market. "In 2011 we made $50 million in exports. Our target for this year is $75 million." A new chemical and dye plant will keep even more of the process in Ethiopia, and Ayka hopes to establish a second large factory for denim to produce jeans, from raw material to final product.

Aydeniz confirms that ultimately it was the people who won Ayka over, as well as the incentives provided by the government. "I had visited China, India, Egypt, Turkmenistan, Uzbekistan—but here in Ethiopia I felt that the government was closer to our vision than those in all other countries. The Ethiopian government provides significant incentives, including tax exemption for five years, low land leases, and electricity at reasonable prices." Out of respect, Aydeniz says Ayka in return provides employees with good salaries, training, and social benefits.

Ayka now has a 50 percent market share of the whole textile-exporting sector in Ethiopia, and is on target to make more export revenue than its plant in Turkey. "The conditions in this country are getting better every day. The economic state of Ethiopia is very different than it was five years ago. We are moving forward very fast and we are very happy to be part of this growth."

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Discovering Ethiopia, in Business and Leisure

Under an ancient slab with a carved sun, crescent moon, and Sabaean inscriptions found in Ethiopia's northern Tigray region, British archaeologist Louise Schofield has uncovered the entrance to a mysterious mine. It may well have been the place where three thousand years ago the Queen of Sheba sourced her gold that she gave to King Solomon, as described in both the Qur'an and the Bible.

Ethiopia is rich with hidden secrets, historical locations that link ancient legends to a tangible present, and eight World Heritage sites, including the rock-hewn churches of Lalibela.

National carrier Ethiopian Airlines serves as the main method of entering and moving around the country. Based out of Addis Ababa Bole International Airport, the new Star Alliance member serves the lion's share of the pan-African network and a total of sixty-four international destinations now expanding into Asia. The company mirrors its host nation's economic success in that it is now Africa's fastest-growing airline. "We have been growing on our own capacity for the last seven to eight years," says the carrier's CEO, Tewolde Gebremariam. "We have tripled the size of the airline, from $390 million annual revenue to about $2 billion now. Our 'marriage' with Star Alliance means we are going to cover a much larger global network in association with twenty-eight member carriers. This is sending a message that Africa can also have a success story, a role model, a global brand. Africa is changing."

Business and conference visitors will find that Addis Ababa decently caters to their needs, with the Starwood Luxury Collection Sheraton Addis, the Hilton, the Intercontinental, the newly opened Radisson, and two Jupiter International Hotels. "Based on available statistics," says Antro Korajlan, deputy managing director of Jupiter International Hotels, "Ethiopia receives from four to five hundred thousand visitors per year. A large portion of these can broadly be described as business tourists, followed by tour and travel groups and nationals who visit friends and family." These numbers are set to grow exponentially, and for this reason the Ethiopian-owned Jupiter Group plans to operate more hotels both in and out of Addis Ababa in the next few years.

Ayele Gelaneh, coordinator of the Tourism Development and Marketing Directorate at the Ministry of Culture and Tourism, says that "there are enormous untold stories in our rich cultural, natural, and historical attractions. We are inviting the world to come and experience them."

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The True Lessons of the Recession

The West Can't Borrow and Spend Its Way to Recovery

Raghuram Rajan

According to the conventional interpretation of the global economic recession, growth has ground to a halt in the West because demand has collapsed, a casualty of the massive amount of debt accumulated before the crisis. Households and countries are not spending because they can't borrow the funds to do so, and the best way to revive growth, the argument goes, is to find ways to get the money flowing again. Governments that still can should run up even larger deficits, and central banks should push interest rates even lower to encourage thrifty households to buy rather than save. Leaders should worry about the accumulated debt later, once their economies have picked up again.

This narrative—the standard Keynesian line, modified for a debt crisis—is the one to which most Western officials, central bankers, and Wall Street economists subscribe today. As the United States has shown signs of recovery, Keynesian pundits have been quick to claim success for their policies, pointing to Europe's emerging recession as proof of the folly of government austerity. But it is hard to tie recovery (or the lack of it) to specific policy interventions. Until recently, these same pundits were complaining that the stimulus packages in the United States were too small. So they could have claimed credit for Keynesian stimulus even if the recovery had not materialized, saying,

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"We told you to do more." And the massive fiscal deficits in Europe, as well as the European Central Bank's tremendous increase in lending to banks, suggest that it is not for want of government stimulus that growth is still fragile there.

In fact, today's economic troubles are not simply the result of inadequate demand but the result, equally, of a distorted supply side. For decades before the financial crisis in 2008, advanced economies were losing their ability to grow by making useful things. But they needed to somehow replace the jobs that had been lost to technology and foreign competition and to pay for the pensions and health care of their aging populations. So in an effort to pump up growth, governments spent more than they could afford and promoted easy credit to get households to do the same. The growth that these countries engineered, with its dependence on borrowing, proved unsustainable.

Rather than attempting to return to their artificially inflated GDP numbers from before the crisis, governments need to address the underlying flaws in their economies. In the United States, that means educating or retraining the workers who are falling behind, encouraging entrepreneurship and innovation, and harnessing the power of the financial sector to do good while preventing it from going off track. In southern Europe, by contrast, it means removing the regulations that protect firms and workers from competition and shrinking the government's presence in a number of areas, in the process eliminating unnecessary, unproductive jobs.

THE END OF EASY GROWTH

To understand what will, and won't, work to restore sustainable growth, it helps to consider a thumbnail sketch of the economic history of the past 60 years. The 1950s and 1960s were a time of rapid economic expansion in the West and Japan. Several factors underpinned this long boom: postwar reconstruction, the resurgence of trade after the protectionist 1930s, more educated work forces, and the broader use of technologies such as electricity and the internal consumption engine. But as the economist Tyler Cowen has argued, once these low-hanging fruit had been plucked, it became much harder to keep economies humming. The era of fast growth came to a sudden end in the early 1970s, when the OPEC countries, realizing the value of their collective bargaining power, jacked up the price of oil.

As growth faltered, government spending ballooned. During the good years of the 1960s, democratic governments had been quick to expand the welfare state. But this meant that when unemployment later rose, so did government spending on benefits for the jobless, even as tax revenues shrank. For a while, central banks accommodated that spending with expansionary monetary policy. That, however, led to high inflation in the 1970s, which was exacerbated by the rise in oil prices. Such inflation, although it lowered the real value of governments' debt, did not induce growth. Instead, stagflation eroded most economists' and policymakers' faith in Keynesian stimulus policies.

Central banks then changed course, making low and stable inflation their primary objective. But governments continued their deficit spending, and public debt as a share of GDP in industrial countries climbed steadily beginning in the late 1970s—this time without inflation to reduce its real value. Recognizing the need to find new sources of growth, Washington, toward the end of President Jimmy Carter's term and then under President Ronald Reagan, deregulated many industries, such as aviation, electric power, trucking, and finance. So did Prime Minister Margaret Thatcher in the United Kingdom. Eventually, productivity began to pick up.

Whereas the United States and the United Kingdom responded to the slump of the 1970s with frenetic deregulation, continental Europe made more cosmetic reforms. The European Commission pushed deregulation in various industries, including the financial sector, but these measures were limited, especially when it came to introducing competition and dismantling generous worker protections. Perhaps as a result, while productivity growth took off once again in the United States starting in the mid-1990s, it fell to a crawl in continental Europe, especially in its poorer and less reform-minded southern periphery. In 1999, when the euro was introduced, Italy's unemployment rate was 11 percent, Greece's was 12 percent, and Spain's was 16 percent. The resulting drain on government coffers made it difficult to save for future spending on health care and pensions, promises made even more onerous by rapidly aging populations.

In countries that did reform, deregulation was not an unmitigated blessing. It did boost entrepreneurship and innovation, increase competition, and force existing firms to focus on efficiency, all of which gave consumers cheaper and better products. But it also had the unintended consequence of increasing income inequality—creating a gap that, by and large, governments dealt with not by preparing their work forces for a knowledge economy but by giving them access to cheap credit.

DISRUPTING THE STATUS QUO

For the United States, the world's largest economy, deregulation has been a mixed bag. Over the past few decades, the competition it has induced has widened the income gap between the rich and the poor and made it harder for the average American to find a stable well-paying job with good benefits. But that competition has also led to a flood of cheap consumer goods, which has meant that any income he or she gets now goes further than ever before.

During the postwar era of heavy regulation and limited competition, established firms in the United States had grown fat and happy, enjoying massive quasi-monopolistic profits. They shared these returns with their shareholders and their workers. For banks, this was the age of the "3-6-3" formula: borrow at three percent, lend at six percent, and head off to the golf course at 3 PM. Banks were profitable, safe, and boring, and the price was paid by depositors, who got the occasional toaster instead of market interest rates. Unions fought for well-paying jobs with good benefits, and firms were happy to accommodate them to secure industrial peace—after all, there were plenty of profits to be shared.

In the 1980s and 1990s, the dismantling of regulations and trade barriers put an end to this cozy life. New entrepreneurs with better products challenged their slower-moving competitors, and the variety and quality of consumer products improved radically, altering peoples' lives largely for the better. Personal computers, connected through the Internet, have allowed users to entertain, inform, and shop for themselves, and cell phones have let people stay in constant contact with friends (and bosses). The shipping container, meanwhile, has enabled small foreign manufacturers to ship products speedily to faraway

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consumers. Relative to incomes, cotton shirts and canned peaches have never been cheaper.

At the same time as regular consumers' purchasing power grew, so did Wall Street payouts. Because companies' profits were under pressure, they began to innovate more and take greater risks, and doing so required financiers who could understand those risks, price them accurately, and distribute them judiciously. Banking was no longer boring; indeed, it became the command center of the economy, financing one company's expansion here while putting another into bankruptcy there.

Meanwhile, the best companies became more meritocratic, and they paid more to attract top talent. The top one percent of households had obtained only 8.9 percent of the total income generated in the United States in 1976, but by 2007 this had increased to nearly 25 percent. Even as the salaries of upper management grew, however, its ranks diversified. Compared with executives in 1980, corporate leaders in the United States in 2001 were younger, more likely to be women, and less likely to have Ivy League degrees (although they had more advanced degrees). It was no longer as important to belong to the right country club to reach the top; what mattered was having a good education and the right skills.

It is tempting to blame the ever-widening income gap on skewed corporate incentives and misguided tax policies, but neither explanation is sufficient. If the rise in executive salaries were just the result of bad corporate governance, as some have claimed, then doctors, lawyers, and academics would not have also seen their salaries grow as much as they have in recent years. And although the top tax rates were indeed lowered during the presidency of George W. Bush, these cuts weren't the primary source of the inequality, either, since inequality in before-tax incomes also rose. This is not to say that all top salaries are deserved—it is not hard to find the pliant board overpaying the underperforming CEO—but most are simply reflections of the value of skills in a competitive world.

In fact, since the 1980s, the income gap has widened not just between CEOs and the rest of society but across the economy, too, as routine tasks have been automated or outsourced. With the aid of technology and capital, one skilled worker can displace many unskilled workers.

Think of it this way: when factories used mechanical lathes, university-educated Joe and high-school-educated Moe were no different and earned similar paychecks. But when factories upgraded to computerized lathes, not only was Joe more useful; Moe was no longer needed.

Not all low-skilled jobs have disappeared. Nonroutine, low-paying service jobs that are hard to automate or outsource, such as taxi driving, hairdressing, or gardening, remain plentiful. So the U.S. work force has bifurcated into low-paying professions that require few skills and high-paying ones that call for creativity and credentials. Comfortable, routine jobs that require moderate skills and offer good benefits have disappeared, and the laid-off workers have had to either upgrade their skills or take lower-paying service jobs.

Unfortunately, for various reasons—inadequate early schooling, dysfunctional families and communities, the high cost of university education—far too many Americans have not gotten the education or skills they need. Others have spent too much time in shrinking industries, such as auto manufacturing, instead of acquiring skills in growing sectors, such as medical technology. As the economists Claudia Goldin and Lawrence Katz have put it, in "the race between technology and education" in the United States in the last few decades, education has fallen behind.

The way out of the crisis cannot be still more borrowing and spending.

As Americans' skills have lagged, the gap between the wages of the well educated and the wages of the moderately educated has grown even further. Since the early 1980s, the difference between the incomes of the top ten percent of earners (who typically hold university degrees) and those of the middle (most of whom have only a high school diploma) has grown steadily. By contrast, the difference between median incomes and incomes of the bottom ten percent has barely budged. The top is running away from the middle, and the middle is merging with the bottom.

The statistics are alarming. In the United States, 35 percent of those aged 25 to 54 with no high school diploma have no job, and high school dropouts are three times as likely to be unemployed as university graduates. What is more, Americans between the ages of 25 and 34 are less likely to have a degree than those between 45 and 54, even though degrees have become more valuable in the labor market. Most troubling, however, is that in recent years, the children of rich parents have been far more likely to get college degrees than were similar children in the past, whereas college completion rates for children in poor households have stayed consistently low. The income divide created by the educational divide is becoming entrenched.

THE POLITICIANS RESPOND

In the years before the crisis, the everyday reality for middle-class Americans was a paycheck that refused to grow and a job that became less secure every year, even while the upper-middle class and the very rich got richer. Well-paying, low-skilled jobs with good benefits were becoming harder and harder to find, except perhaps in the government.

Rather than address the underlying reasons for this trend, American politicians opted for easy answers. Their response may be understandable; after all, it is not easy to upgrade workers' skills quickly. But the resulting fixes did more damage than good. Politicians sought to boost consumption, hoping that if middle-class voters felt like they were keeping up with their richer neighbors—if they could afford a new car every few years and the occasional exotic holiday—they might pay less attention to the fact that their salaries weren't growing. One easy way to do that was to enhance the public's access to credit.

Accordingly, starting in the early 1990s, U.S. leaders encouraged the financial sector to lend more to households, especially lower-middle-class ones. In 1992, Congress passed the Federal Housing Enterprises Financial Safety and Soundness Act, partly to gain more control over Fannie Mae and Freddie Mac, the giant private mortgage agencies, and partly to promote affordable homeownership for low-income groups.

Such policies helped money flow to lower-middle-class households and raised their spending—so much so that consumption inequality rose much less than income inequality in the years before the crisis. These policies were also politically popular. Unlike when it came to an expansion in government welfare transfers, few groups opposed expanding credit to the lower-middle class—not the politicians who wanted more growth and happy constituents, not the bankers and brokers who profited from the mortgage fees, not the borrowers who could now buy their dream houses with virtually no money down, and not the laissez-faire bank regulators who thought they could pick up the pieces if the housing market collapsed. Cynical as it may seem, easy credit was used as a palliative by successive administrations unable or unwilling to directly address the deeper problems with the economy or the anxieties of the middle class.

The Federal Reserve abetted these shortsighted policies. In 2001, in response to the dot-com bust, the Fed cut short-term interest rates to the bone. Even though the over-stretched corporations that were meant to be stimulated were not interested in investing, artificially low interest rates acted as a tremendous subsidy to the parts of the economy that relied on debt, such as housing and finance. This led to an expansion in housing construction (and related services, such as real estate brokerage and mortgage lending), which created jobs, especially for the unskilled. Progressive economists applauded this process, arguing that the housing boom would lift the economy out of the doldrums. But the Fed-supported bubble proved unsustainable. Many construction workers have lost their jobs and are now in deeper trouble than before, having also borrowed to buy unaffordable houses.

> The industrial countries should treat the crisis as a wake-up call and move to fix all that has been papered over in the last few decades.

Bankers obviously deserve a large share of the blame for the crisis. Some of the financial sector's activities were clearly predatory, if not outright criminal. But the role that the politically induced expansion of credit played cannot be ignored; it is the main reason the usual checks and balances on financial risk taking broke down.

Outside the United States, other governments responded differently to slowing growth in the 1990s. Some countries focused on making themselves more competitive. Fiscally conservative Germany, for example, reduced unemployment benefits even while reducing worker protections. Wages grew slowly even as productivity increased, and Germany became one of the most competitive manufacturers in the world. But some other European countries, such as Greece and Italy, had little incentive to reform, as the inflow of easy credit after their accession to the eurozone kept growth going and helped bring down unemployment. The Greek government borrowed to create high-paying but unproductive government jobs, and unemployment came down sharply. But eventually, Greece could borrow no more, and its GDP is now shrinking fast. Not all European countries in trouble relied on federal borrowing and spending. In Spain, a combination of a construction boom and spending by local governments created jobs. In Ireland, it was primarily a housing bubble that did the trick. Regardless, the common thread was that debt-fueled growth was unsustainable.

WHAT CAN BE DONE?

SINCE THE growth before the crisis was distorted in fundamental ways, it is hard to imagine that governments could restore demand quickly—or that doing so would be enough to get the global economy back on track. The status quo ante is not a good place to return to because bloated finance, residential construction, and government sectors need to shrink, and workers need to move to more productive work. The way out of the crisis cannot be still more borrowing and spending, especially if the spending does not build lasting assets that will help future generations pay off the debts that they will be saddled with. Instead, the best short-term policy response is to focus on long-term sustainable growth.

Countries that don't have the option of running higher deficits, such as Greece, Italy, and Spain, should shrink the size of their governments and improve their tax collection. They must allow freer entry into such professions as accounting, law, and pharmaceuticals, while exposing sectors such as transportation to more competition, and they should reduce employment protections—moves that would create more private-sector jobs for laid-off government workers and unemployed youth. Fiscal austerity is not painless and will probably subtract from growth in the short run. It would be far better to phase reforms in over time, yet it is precisely because governments did not act in good times that they are forced to do so, and quickly, in bad times. Indeed, there is a case to be made for doing what is necessary quickly and across the board so that everyone feels that the pain is shared, rather than spreading it over time and risking dissipating the political will. Governments should not, however, underestimate the pain that these measures will cause to the elderly, the youth, and the poor, and where possible, they should enact targeted legislation to alleviate the measures' impact.

The United States, for its part, can take some comfort in the powerful forces that should help create more productive jobs in the future: better information and communications technology, lower-cost clean energy, and sharply rising demand in emerging markets for higher-value-added goods. But it also needs to take decisive action now so that it can be ready to take advantage of these forces. The United States must improve the capabilities of its work force, preserve an environment for innovation, and regulate finance better so as to prevent excess.

None of this will be easy, of course. Consider how hard it is to improve the match between skills and jobs. Since the housing and financial sectors will not employ the numbers they did during the pre-crisis credit boom anytime soon, people who worked in, or depended on, those sectors will have to change careers. That takes time and is not always possible; the housing industry, in particular, employed many low-skilled workers, who are hard to place. Government programs aimed at skill building have a checkered history. Even government attempts to help students finance their educations have not always worked; some predatory private colleges have lured students with access to government financing into expensive degrees that have little value in the job market. Instead, much of the initiative has to come from people themselves.

That is not to say that Washington should be passive. Although educational reform and universal health care are long overdue, it can do more on other fronts. More information on job prospects in various career tracks, along with better counseling about educational and training programs, can help people make better decisions before they enroll in expensive but useless programs. In areas with high youth unemployment, subsidies for firms to hire first-time young workers may get youth into the labor force and help them understand what it takes to hold a job. The government could support older unemployed workers more—paying for child care and training—so that they can retrain even while looking for work. Some portion of employed workers' unemployment insurance fees could accumulate in training and job-search accounts that could help them acquire skills or look for work if they get laid off.

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At the same time, since new business ventures are what will create the innovation that is necessary for growth, the United States has to preserve its entrepreneurial environment. Although the political right is probably alarmist about the downsides of somewhat higher income taxes, significantly higher taxes can reduce the returns for entrepreneurship and skill acquisition considerably—for the rich and the poor alike. Far better to reform the tax system, eliminating the loopholes and tax subsidies that accountants are so fond of finding in order to keep marginal income tax rates from rising too much.

Culture also matters. Although it is important to shine the spotlight on egregious unearned salaries, clubbing all high earners into an undifferentiated mass—as the "one percent" label does—could denigrate the wealth creation that has served the country so well. The debate on inequality should focus on how the United States can level up rather than on how it should level down.

Finally, even though the country should never forget that financial excess tipped the world over into crisis, politicians must not lobotomize banking through regulation to make it boring again. Finance needs to be vibrant to make possible the entrepreneurship and innovation that the world sorely needs. At the same time, legislation such as the Dodd-Frank act, which overhauled financial regulation, although much derided for the burdens it imposes, needs to be given the chance to do its job of channeling the private sector's energies away from excess risk taking. As the experience with these new regulations builds, they can be altered if they are too onerous. Americans should remain alert to the reality that regulations are shaped by incumbents to benefit themselves. They should also remember the role political mandates and Federal Reserve policies played in the crisis and watch out for a repeat.

The industrial countries have a choice. They can act as if all is well except that their consumers are in a funk and so what John Maynard Keynes called "animal spirits" must be revived through stimulus measures. Or they can treat the crisis as a wake-up call and move to fix all that has been papered over in the last few decades and thus put themselves in a better position to take advantage of coming opportunities. For better or worse, the narrative that persuades these countries' governments and publics will determine their futures—and that of the global economy.

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Bearish on Brazil

The Commodity Slowdown and the End of the Magic Moment

Ruchir Sharma

Until recently, the consensus view of Brazil among investors and pundits was almost universally bullish. Under the landmark presidency of Luiz Inácio Lula da Silva, the country became known as a paragon of financial responsibility among emerging markets. Having contained hyperinflation and reduced its debt, Brazil weathered the 2008 financial crisis better than most, growing at an average annual rate of nearly four percent over the past five years. And in the last ten years, some 30 million Brazilians have entered the middle class, giving their country, according to Brazil's promoters, the power to expand despite a turbulent global environment and to reduce income inequality even as it grew elsewhere in Latin America.

This decade of success has made Brazil one of the most hyped emerging-market nations, with one of the two top-performing stock markets in the world and receiving more foreign direct investment than most other countries. Over the past five years, the amount of foreign money flooding into Brazilian stocks and bonds surged to record levels, with inflows expanding from $5 billion in 2007 to more than $70 billion through this past January. Brazil's rise has solidified its reputation as a leading member of the BRICS—Brazil, Russia, India, China, and South Africa—the world's top emerging

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markets, which many expect to supplant the United States and Europe soon as the largest drivers of the global economy.

Yet this glowing image of Brazil rests on an extremely shaky premise: commodity prices. The country has grown largely in concert with surging demand for its stores of oil, copper, iron ore, and other natural resources. The problem is that the global appetite for those commodities is beginning to fall. And if Brazil does not take steps to diversify and boost its growth, it may soon fall with them.

THE COMMODITY CRAZE

Over the last ten years, global markets have developed an insatiable desire to invest in emerging-market countries, particularly those in which China was purchasing energy supplies and natural resources (these commodities now account for roughly 30 percent of the money in international stock markets). According to the logic behind this trend, as China continued to boom, consuming ever-increasing amounts of oil, copper, iron ore, and other raw materials, nations such as Brazil, a leading exporter of those commodities, would thrive. As a stable democracy, Brazil seemed like a safe investment, and the discovery of major oil fields off the country's coast added a golden sheen to the picture.

But problems loomed behind that veneer. For a nation supposedly taking its place as one of the world's major economic powers, Brazil has proved strikingly cautious. To protect its citizens from the economic turmoil that plagued it throughout much of the late twentieth century, the country developed two signature policies—high interest rates to control inflation and a welfare state to provide a social safety net—that have placed a hidden cap on expansion. Indeed, since the early 1980s, Brazilian growth has oscillated around an average of 2.5 percent a year, spiking only with increases in commodity prices. Even in the last decade, when Brazilian growth rose above four percent and Lula hailed the arrival of his country's "magic moment," Brazil still grew only half as fast as China, India, and Russia.

High interest rates in Brazil stymie the country's growth by making it almost prohibitively expensive to do just about anything. Providing an average return of about ten percent, those rates attract foreign capital, but that influx of investment has driven up the value of the Brazilian real, making it one of the most expensive currencies in the world. As a result, restaurants in São Paulo are more expensive than those in Paris, and office space is pricier there than in New York. Hotel rooms in Rio de Janeiro cost more than they do along the French Riviera, bike rentals are more expensive than in Amsterdam, and movie tickets exceed the price of those in Madrid.

At the same time, the expensive real boosts the price of exports from Brazil, undercutting the country's competitiveness in global consumer markets. Although many major emerging-market currencies have risen against the dollar over the last decade, the real is in a class by itself, having gone up 100 percent. This may help manufacturing in the United States, but it harms it in Brazil, where the manufacturing share of GDP peaked at 16.5 percent in 2004 and had fallen to 13.5 percent by the end of 2010. Few developing nations have sustained rapid growth for even one decade, let alone two or three, and virtually all of those that have did so by expanding their share of global manufacturing, not riding the tides of commodity prices.

The glowing image of Brazil rests on an extremely shaky premise.

Brazil, however, has taken the latter path. China's growth over the last decade made it by far the world's largest consumer of industrial raw materials, and Brazil has capitalized on that explosion: in 2009, China surpassed the United States as Brazil's leading trade partner. Given China's sustained success, few expected its economy to slow or considered what that would mean for Brazil. But that decline is now under way. This past March, Beijing stated that its growth rate in 2012 could dip below eight percent for the first time since 1998. Unsurprisingly, around the same time, Brasília announced that its growth rate had dropped to under three percent.

China's lagging growth signals the end of an era in which emerging markets experienced unusually rapid expansion, spurred by the torrent of money that began gushing out of the United States in 2003 as the Federal Reserve sought to sustain the country's recovery from the dot-com bust. Over the next four years, the average growth rate in emerging markets doubled, to 7.2 percent, and across the globe, the

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average duration of economic expansions rose from four years to eight. Now, as the consequences of the 2008 credit crisis continue to unfold, the easy money is drying up. Investors will need to stop pouring money into emerging-market countries as a class and instead begin to evaluate which markets are likely to succeed in a new era of slow, uneven expansion.

STUNTED GROWTH

Given its tendency to limit its own growth, Brazil is a good place for investors to begin that evaluation. Brasília's fear of economic overheating stems from the country's long history of financial crises, in which government overspending produced humiliating defaults and devaluations. The cycle hit rock bottom during a painful decade of hyperinflation that peaked in 1994, when prices rose by 2,100 percent—so fast that checks would lose 30 percent of their value by the time businesses could deposit them and workers would cash their paychecks and run to the store to buy food before prices rose further.

In 1995, the Brazilian government finally stopped the spiral of hyperinflation by introducing the real and pegging it to the dollar. But the new currency did not eliminate Brazil's vulnerability to regular inflation, thanks largely to the old Brazilian addiction to state overspending. The trauma of hyperinflation only deepened Brazil's commitment to building a comprehensive welfare state. The constitution, passed in 1988, guarantees free health care and university education, and the country's minimum wage is now so high that it applies to one in three workers. And during the 1980s, prices rocketed out of control in part because the government attempted to ease the financial burden on its citizens by linking wage raises to price increases. This generated a vicious cycle whereby price spikes triggered wage increases, which then forced employers to further increase prices. In 2003, under Lula, Brasília expanded these income protections when it launched Bolsa Família, perhaps the most generous welfare program among emerging-market countries. The initiative offers conditional cash income support to the poor and unconditional support to the extremely poor. Such assistance has reduced Brazil's inequality, but at the expense of growth.

Since the era of hyperinflation, the Brazilian government has funded this growing safety net by increasing spending as a share of the country's economy, from roughly 20 percent in the 1980s (a typical ratio for the emerging markets) to nearly 40 percent in 2010. It has underwritten this expansion by raising taxes, which now equal 38 percent of GDP, the highest level among emerging-market countries. This heavy load of personal and corporate taxes leaves businesses with less money to invest in new training, technology, and equipment, leading to sluggish improvement in Brazilian business efficiency. Between 1980 and 2000, Brazil's productivity grew at an annual rate of 0.2 percent, compared with four percent in China, where businesses invested much more heavily. This is one way in which Brazil's spending priorities make the country so inflation-prone; if productivity is flat—if, in other words, each worker is not producing more goods per hour—then businesses have to raise the prices of those goods to cover rising hourly wages.

BEIJING VERSUS BRASÍLIA

THE BEST way to see how a paralyzing fear of financial pain holds Brazil back is to compare it with China. The two countries have taken opposite approaches to development. Whereas Brazil has tempered growth over the past generation, China has pursued it relentlessly. Beijing threw open its doors to global trade, setting low interest rates to provide inexpensive capital to fund the infrastructure critical to an export economy, such as roads, bridges, and ports. These rates also helped keep the value of the yuan low, making Chinese exports more competitive. China built this system largely at the expense of its citizens; it is only now beginning to launch welfare programs meant to protect them from the turmoil of these rapid changes.

Brazil, meanwhile, adopted the opposite model, focusing on stability and protecting its people rather than increasing productivity and growth. Brazil's high interest rates attracted foreign capital and heightened the value of the real, which undermined Brazilian exports and slowed expansion. Brasília spent that capital not on roads and bridges but on a welfare state. That is largely why for the last three decades, China has grown four times as fast as Brazil.

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The difference between the two countries' investment strategies could not be more striking. Over the past decade, China's domestic investment, in everything from factories to equipment and schools, climbed at a double-digit annual pace, reaching nearly 50 percent of GDP last year—higher than in any other major economy, ever. In fact, China now invests more than the United States and Europe combined. Brazil's total investment, on the other hand, has remained under 19 percent of GDP, one of the lowest figures among emerging-market countries. And Brasília spends only two percent of its GDP on infrastructure—a paltry amount compared with the emerging-market average of five percent and the Chinese rate of ten percent.

That failure to invest is a major reason why the Brazilian economy is so lethargic and expensive. The failure to build roads and ports has made even simple tasks, such as moving around the country, a nightmare. Truckers taking sugar from plantations to Santos, the country's largest port, must routinely wait two to three days at the port's gates because of a shortage of warehouse space and automated cargo movers. A former executive of a major U.S. agricultural company told me that trucks carrying seeds from the Brazilian hinterlands to Santos would lose half their cargo to ruts and potholes along the way. Scavengers would follow the trucks, and the seeds would eventually turn up on sale in Paraguay.

Brazil must recognize that the era of high commodity prices and easy growth in emerging markets is ending.

Brazil's economy suffers similar bottlenecks on every front. The broad measure of how fully an economy is employing its total stock of labor and equipment, a number known as the capacity utilization rate, now stands at 84 percent in Brazil—five points higher than the average in other emerging markets and a sign that the supply is inadequate. Underspending on schools has resulted in a massive shortage of skilled workers. Normally, as a country grows richer, students stay in school longer. But in Brazil, they remain in school for an average of just seven years, the lowest rate of any middle-income country; in China, which is much poorer, the average is eight years. As a result, although unemployment is now at a decade-low six percent, businesses complain that they have no choice but to hire unqualified applicants. In manufacturing and services, a shortage of engineers and technical workers is already straining the economy.

In short, then, chronic underinvestment has made the Brazilian economy prone to cooling off at a relatively slow rate of growth compared with other emerging markets. If businesses must pay extra to hire competent workers or move goods across the country, then they will pass those charges on to customers. And as businesses start to compete for the inadequate supply of workers, warehouse space, shipping capacity, and other essentials, inflation will rise at an early stage of economic expansion. For Brazil, this happens when GDP growth approaches just four percent—half the rate at which it occurs in China. And because Brazil historically raises interest rates at the first signs of inflation, thereby restraining growth, the country tends to stall at that four percent threshold.

STABILITY NO MORE

BRAZIL WAS able to achieve four percent growth in the unusual global environment of the last decade, when the country finally began catching up to the West. Brazil's average per capita income had fallen from a peak of 25 percent of the U.S. average in the 1960s to just 16 percent by the late 1990s. In the last decade, however, that number began to climb, and it has now risen to roughly 20 percent. But given the upcoming decline in demand for commodities, the rate could collapse again. Arminio Fraga, Brazil's former central bank president, told me that he fears a "lost decade" of relative decline, similar to the 1980s, if Brazil does not shake off its "Iberian roots"—the sleepy welfare-state tendencies it seems to have inherited from its European colonizers.

The recent news that Brazil's economic growth has begun to slow may prompt an overdue debate in the country about how to fix its high-cost, commodity-dependent economy. Although programs such as Bolsa Família have helped reduce income inequality, Brazil must realize that it could afford that initiative only thanks to the period of rapid global growth that started in 2003, the same year the initiative began. Brazil can and must find a way to balance stability with expansion. But so long as Brazil relies on exports of oil, copper, iron ore, and other commodities, it will become increasingly vulnerable to violent swings in commodity prices and to the coming slowdown of China. So much of Brazil's consumer boom has been driven by income from commodity sales that the domestic market will not provide much of a cushion in the event of such a slowdown.

Brazil must recognize that the era of easy growth in emerging markets and high commodity prices is ending. To avoid falling behind, Brasília needs to take risks and open up the economy. It can begin doing so by spending less on its welfare state, streamlining it by simplifying the tax code, broadening the tax base, and modernizing its inefficient pension and social security systems. It can then redirect that spending to education, research and development, and infrastructure projects. Brazil should also consider lowering its trade barriers to foster innovation in noncommodity industries. Despite its status as a major exporter, Brazil is one of the most protectionist economies in the world. This holds the trade share of its GDP to just 20 percent, the lowest among all the emerging-market countries. Ending that protectionism could bring competition to Brazilian factories, while also lowering the value of the real, creating the opportunity for a revival in manufacturing. For now, Brazil appears to be clinging to its hard-won stability. But if it fails to reform, its commodity-driven surge will soon begin to wash away.

Workers of the World Divide

The Decline of Labor and the Future of the Middle Class

Bruce Western and Jake Rosenfeld

Since the middle of the last century, the American labor movement has been in steady decline. In the early 1950s, around one-third of the United States' total labor force was unionized. Today, just one-tenth remains so. Unionization of the private sector is even lower, at five percent. Over the last few decades, unions' influence has waned and workers' collective voice in the political process has weakened. Partly as a result, wages have stagnated and income inequality has increased.

The decline of American unions was not preordained. The modern labor movement first emerged in response to the Great Depression, when fledgling workers' organizations and established unions led mass protests against unemployment and the failures of American capitalism. Tumultuous strikes rocked the heartland from the coalfields of Pennsylvania to the factories of Michigan. In those days, "anybody struck," as the labor historian Irving Bernstein once observed. "It was the fashion." In 1935, a key component of Franklin Roosevelt's New Deal, the National Labor Relations Act, codified workers' rights to form and join unions.

As many workplaces unionized in the following years, labor leaders sought to establish themselves as responsible social and political partners. Indeed, when World War II came, they often chose to forgo strikes in the name of the war effort. Such moves sometimes proved unpopular

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with ordinary workers, but they helped win union leaders seats at the policymaking table and cemented their organizations' status as the largely uncontested representatives of the United States' industrial laborers. By 1954, more than 17 million American workers, around 35 percent of all wage and salary earners, were union members. In Indiana, Michigan, Pennsylvania, Washington, and West Virginia, unionization was 40 percent or higher. Even in the South, where the labor movement met the greatest resistance, union membership got as high as 20 percent of workers in Alabama, Kentucky, Louisiana, and Tennessee. U.S. union members were disproportionately male blue-collar breadwinners working lifelong jobs in large firms. As organized labor helped secure the economic well-being of this group, the American middle class prospered and the country entered a golden age of income equality.

At its height, labor was both politically and economically powerful. In the realm of politics, unions often spoke on behalf of a range of workers, including those who did not belong to unions. And economically, they contributed broadly to social welfare by helping push up wages as worker productivity rose. In doing so, they underwrote the affluence of the American working class in the 1950s and 1960s. With labor's decline since, economic elites have grown more influential in the political system and the tie between national economic prosperity and working-class prosperity has been severed. Rebuilding the power of working people—if it is still possible—will need to involve reviving labor's dual economic and political role. Unions must start by speaking up on behalf of those most hurt by wage stagnation and rising inequality. Economically, unions must contribute more actively to the prosperity of firms and communities struggling with the effects of the recession and global competition.

THE RUST AGE

Although the National Labor Relations Act was initially a boon for unions, it also sowed the seeds of the labor movement's decline. The act enshrined the right to unionize, but the system of workplace elections it created meant that unions had to organize each new factory or firm individually rather than organize by industry. In many European countries, collective-bargaining agreements extended automatically to other firms in the same industry, but in the United States, they usually reached no further than a plant's gates.

As a result, in the first decades of the postwar period, the organizing effort could not keep pace with the frenetic rate of job growth in the economy as a whole. Between 1950 and 1979, the labor force nearly doubled, adding around 45 million new wage and salary earners. Union membership increased by only half in the same period, however, from 14 million to 21 million workers, shrinking the percentage of union members in the labor force from 30 to 20 percent. By the 1970s, new organizing could annually capture only about one-third of one percent of the nonunion labor force, which itself was growing at three percent a year.

Even if the labor market had simply continued expanding with no broader changes in the economy or politics, organized labor would have struggled to sustain its influence in the 1970s and beyond. As it turned out, however, economic and political conditions got much worse. The OPEC oil embargo of 1973–74 heralded a decade of turmoil. Oil price shocks precipitated worldwide stagflation. Western Europe and the United States were gripped by widespread joblessness and a slowdown in productivity growth. As the 1970s and 1980s unfolded, U.S. manufacturers also faced increasing competition from European and Japanese exporters in the heavily unionized aerospace, auto, and steel industries. During the same period, the government deregulated the transportation and telecommunications industries and relaxed price controls, licensing regulations, and restrictions on market entry. To save jobs, unions often made concessions, including accepting pay cuts and pay freezes, lower cost-of-living wage adjustments, and shorter contract periods.

By the 1980s, the unionized share of the work force had been steadily shrinking for three decades. From that point on, the number of union workers began to decrease in absolute terms, particularly in the communications, manufacturing, transportation, and utilities industries. In the trucking sector, deregulation opened the door to new nonunion firms and independent owner-operators. Some firms, such as Toyota's U.S. operation, built new union-free plants in the South, far from labor's historic bases in the Midwest and the Northeast. Subcontracting to small, specialized producers also added to the growing tally of nonunion jobs in manufacturing.

Labor's decline was not set off by impersonal market forces alone. In the 1970s and 1980s, difficult economic conditions and the growing cost of union contracts led many employers to adopt illegal tactics to fight organizing attempts. Frequent labor law violations included discrimination, coercion, and the dismissal of workers who were known to support unionization. Even as union organizing activity remained nearly constant, the number of complaints about unfair labor practices filed with the National Labor Relations Board roughly doubled. Many of these claims proved successful; between 1970 and 1980, the number of workers reinstated to their jobs or granted back pay after filing unfair-labor complaints quintupled. As the political scientists Jacob Hacker and Paul Pierson write in their book *Winner-Take-All Politics*, companies came to view these penalties as "simply a cost of doing business, and far preferable to successful unionization."

Employers prevented unionization through legal means as well. As in previous decades, labor laws permitted managers to hold mandatory antiunion meetings with workers, distribute antiunion literature, and delay the negotiation of labor contracts following successful organizing drives. What changed was employers' willingness to deploy such tactics. Over time, they became almost reflexive responses to the threat of unionization. In combination with unlawful tactics, and advised by a flourishing industry of union-busting consultants, employers managed to stifle labor organizing, and union election activity plunged in the early 1980s.

In response, unions tried to reform national labor laws to make organizing easier. Yet because of the growing political clout of big business, every major effort to change the labor laws since the 1960s has failed. Opposition to unions had spread from executive suites to the White House. Months after Ronald Reagan's presidential inauguration, in the summer of 1981, some 13,000 air traffic controllers went on strike to demand better working conditions, higher pay, and a 32-hour workweek. In a tense showdown, Reagan fired the strikers and hired permanent replacements. Unions bowed before this and later onslaughts, and strike activity declined by over two-thirds during the 1980s and 1990s.

To be sure, the unions themselves often added to their troubles. U.S. labor relations were adversarial; unlike some of their European counterparts, American unions were unable to develop collaborative relationships with employers to improve training or management decisions. Labor's record as a politically progressive force was also uneven. Unions maintained only an arm's-length relationship with the civil rights movement, the women's movement, and the protest movement against the Vietnam War. And declining membership only made unions more defensive. As the organized fraction of the total work force plummeted, unions lost power, which made them less able to influence policy and attract workers.

NICE WORK IF YOU CAN GET IT

The American labor movement would have fallen further and faster if not for public-sector unionization, which rose sharply throughout the 1970s. By the 1980s, nearly 40 percent of government workers were in unions, and the proportion has remained roughly constant until today. The figures are most striking in local government. Over half of all teachers, firefighters, and local police are union members, a rate ten times as high as that in the private sector.

In part, the strong presence of unions in the public sector reflects the dynamics of government employment. Public institutions do not die like private firms; new public-sector jobs tend to be in already unionized workplaces. Compare that to the private sector, in which new jobs are generally in new nonunion firms. Furthermore, since public-sector employees provide government services, they are largely sheltered from competition. Nonunionized schools, for example, will not drive the public education system (and its unionized teachers) out of business. In the public sector, the threat to unions comes not from the market but from the antilabor sentiment that has gripped elected officials.

After the financial crisis of 2008 and the remarkable electoral success of the political right in 2010, many newly elected Republican governors in highly unionized states launched a coordinated offensive against public-sector unions. These initiatives have gone furthest in Wisconsin, where, starting in February 2011, Scott Walker, the Republican governor, pushed forward legislation to eliminate collective-bargaining rights for many public-sector workers. The bill passed in March 2011 and, after surviving a series of legal challenges, went into effect that summer. Walker's charge was driven by both economics and politics. Wisconsin, like many other states, needed to balance its

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budget and saw weakening the public-sector unions as a way to reduce government expenditures. Republicans also knew that they would benefit if unions, which form an important financial and organizational base for the Democratic Party, were diminished.

Other GOP governors, such as New Jersey's Chris Christie, seem to have followed a similar logic. Christie has radically restructured state employee contracts, increasing workers' retirement age and forcing workers to contribute much more to their health-care and retirement plans. His scheme also restricted unions' bargaining rights over benefits for the next four years, a provision that he says will help right New Jersey's listing economy but one that labor believes is a stealth measure intended to accomplish what Walker has done in Wisconsin.

So far, however, Christie and many of his colleagues in other states have avoided the most extreme elements of Walker's strategy, sensing that in such a fragile economic climate, aggressively trying to bust public-sector unions would carry too much political risk. The leading Republican presidential candidate, Mitt Romney, for example, senses the perils of the issue. This past fall, he refused to take a stance on an Ohio ballot initiative seeking to overturn a law curtailing public-sector union rights. Still, Walker's fight could help erode the taken-for-granted unionization of state and municipal workers. Both Christie and Romney have expressed support for Walker's effort. Despite the radical nature of Walker's attack on unions, his popularity remained near 50 percent in Wisconsin and around 90 percent among Wisconsin Republicans.

GOING PUBLIC

PUBLIC WORKERS may be unhappy with these recent trends, but not everyone is mourning labor's decline; mainstream economic theorists see the benefits of union membership as too expensive in today's economy. Many of them argue that outsized union wages reduce employment and lead to higher prices for consumers. The Nobel Prize–winning economist Gary Becker, for example, has written that unions are slowing the United States' economic recovery and making it harder for the country to compete overseas. In fact, unionization imposes only a modest drag on the economy. The economists Richard Freeman and James Medoff have calculated that in 1980, when a quarter of the work force was covered by collective-bargaining agreements, organized labor reduced the gross national product by just one-fifth to two-fifths of one percent.

The social and economic benefits of unions outweigh such costs. For one, research shows that union membership in the private sector increases a worker's compensation by 10–20 percent. In other words, in terms of wages, belonging to a union is roughly equal to having a college degree. Unions also equalize pay within companies, partly because they raise the wages of blue-collar and less-skilled workers and partly because they standardize pay among workers with similar educational achievements and experience.

Even more important, unions also improve pay outside their own workplaces. Nonunion employers in highly unionized industries, for example, often raise the wages they pay to avert organizing efforts. Even after accounting for demographic, educational, and regional differences in local labor markets, wage inequality is significantly lower among nonunion workers in areas and industries that are highly unionized. In addition, adjusting for local economic conditions and the dominant party affiliations of state legislatures, highly unionized states have higher minimum wages and more generous welfare benefits and spend more on education. Legislators in these states are also more likely to vote for minimum-wage increases, and poverty rates in these states tend to be lower.

The benefits of unions protected American workers for more than half a century. The landmark development came in 1948, when General Motors and the United Auto Workers negotiated what came to be known as the Treaty of Detroit. The agreement approved an annual cost-of-living wage increase plus an additional annual increase of two percent. The cost-of-living adjustment ensured that wages would at least keep up with inflation. The extra two percent compensated workers for productivity boosts that came along with technological change. Also, from the presidency of Dwight Eisenhower through that of Jimmy Carter, successive administrations granted union representatives seats on national boards that set wage guidelines. Although the wage boards were chiefly charged with controlling inflation, they also had a role in ensuring equality. Because the labor market was more highly regulated in those days than it is today, pay rates across the whole economy tended to rise and fall together, so wage inequality was tightly controlled.

As unions started to make concessions to big business in the lean days of the early 1980s, however, the Treaty of Detroit formula was abandoned. In an influential 2009 paper, "Institutions and Wages in Post–World War II America," the MIT economists Frank Levy and Peter Temin described the emergence in the 1980s of what they called "the Washington Consensus," an era of deregulation in which earnings inequality increased. As the decline of unions accelerated in those years, wage bargaining became more defensive. New union workers were given less favorable contracts, and lump-sum payments commonly replaced regular wage increases. As the fraction of all income captured by the top one percent of earners more than doubled, middle-class pay stagnated for the first time in decades; from 1973 to 2009, the median hourly wage increased by less than ten percent, even though nonfarm productivity ballooned by about 70 percent.

The overall benefits unions have brought have fluctuated with economic conditions, but by one set of estimates, they have decreased over time, from around 26 percent in the early 1980s to 20 percent by 2000. In turn, in the same period, unions' standardizing effect on wages diminished; overall inequality increased substantially among union and nonunion workers alike: by 40 percent among men in the private sector. By our calculations, around one-third of that jump was directly related to declining unionization. (The effect on women's wages was somewhat smaller because they were less likely to have joined to begin with.) Moreover, as union membership declined, businesses awarded more generous nonwage compensation—health and retirement benefits and vacation pay—to salaried workers with college degrees or higher.

In the last decade, power has shifted even more from workers to managers and owners. The economic guarantors of a good middle-class life, namely, stable wage growth and generous benefits, have eroded. Although union workers still enjoy higher wages, better benefits, and a greater voice at work, their advantages are smaller than in the past. And because those advantages are confined to a shrinking group of workers, future generations of workers can look forward to tougher economic times than their parents.

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Bruce Western and Jake Rosenfeld

THERE IS VOTING POWER IN A UNION

In their heyday, American unions routinely played a major political role. They emptied their coffers and flexed their substantial organizing muscle to counteract the influence of the business lobby in presidential, congressional, and local elections. Labor leaders enjoyed privileged access to politicians, especially Democratic officials, and were instrumental in developing progressive domestic programs, such as Medicare.

The strong link between organized labor and the Democratic Party extended down to the union rank and file. For example, in the 1964 presidential election—a high-water mark for the link between unions and the Democratic Party—nearly 90 percent of union members cast their votes for Lyndon Johnson. After Johnson's victory, the Republicans realized that the labor vote was simply too large and politicized to ignore. According to the Nixon administration in the early 1970s, "No program works without labor cooperation."

Beyond supporting policies that protected workers' interests, unions also amplified their members' voices. In the United States, as elsewhere, the poorer a person is, the less likely he or she is to be politically involved. But unions encouraged their members, many of whom were blue-collar, to vote, thus drawing otherwise atomized individuals into an organization and providing them with the training and resources necessary to pursue collective goals. Research consistently demonstrates that the voter-participation rates of union members are about five percentage points higher than those of otherwise similar nonmembers. Unions are among the few organizations that have been able to mobilize the less advantaged on such a large scale.

Labor retains this ability to mobilize today, but the labor vote itself has weakened, for several reasons. First, decades of declining membership have meant a shrinking base to rally. Although belonging to a union remains a strong indicator of whether a person will vote, unions' total impact on elections has been greatly reduced. In the upcoming election, for example, union support for President Barack Obama, in the form of money and manpower, is less important than it would have been for Democratic candidates in years past. Second, unions' effect on political mobilization has always been stronger among private-sector workers than public-sector ones. On average, public-sector workers are better educated and so are already more likely to go to the polls. Unions influence these workers' voting habits far less than they do those of private-sector employees. In the 2008 presidential election, for example, among public-sector workers, those in unions were no more likely to vote than those not in unions after accounting for other key predictors of voting. Unions' effect on voting among private-sector workers remained significant, but because public-sector workers make up a majority of union membership today, the number of workers that labor mobilizes on Election Day is low and falling.

Labor's decline has effectively left millions of nonunion working-class Americans without the organizational ties often necessary to participate in politics. Further, since unions no longer represent broad sections of the nation's blue-collar workers, unions are now taken less seriously; indeed, many policymakers, including labor's remaining allies, have come to view labor as just another special interest vying for influence. Although many unions remain fairly well funded, they will never be able to compete with corporate donations. In the hotly contested 2000 election cycle, business-related interests outspent organized labor by a ratio of 14 to one, and the ratio has been similar in more recent contests. The labor movement was once able to compensate for the financial power of the business lobby through its advantage in manpower. Not so any longer.

REVIVING THE GOLDEN ERA

Labor unions underwrote the affluence of the American working class in the twentieth century. They ensured that manual work paid white-collar wages and gave a collective voice to workers in the political process. The story of labor's decline is often told with an air of inevitability; unions became outmoded as American capitalism became more dynamic. In such an account, the consequences of deunionization—rising inequality, wage stagnation, and declining political participation—appear equally inevitable.

But the story has not played out the same way everywhere. The turbulent economic conditions of the 1970s affected all the advanced economies. In the small, trade-dependent economies of Scandinavia, highly centralized unions were able to restrain wage growth, curb inflation, and maintain employment. In Germany, unions expanded their role in workplace governance and the training of skilled workers. Although the proportion of union members among workers did decrease in western Europe during this time, it did so far less than in the United States. And the coverage of collective-bargaining rights generally held steady. European labor unions still represent a broad constituency of workers and actively contribute to their countries' economic success. Moreover, although some claim otherwise, unions have not made the global economic crisis there worse. Where national unions have historically had a role in macroeconomic management—in Belgium and the Netherlands, for example—negotiations over wages and working hours helped head off big increases in unemployment in the wake of the 2008 financial crisis.

American unions have faced the same challenges as European ones but have struggled far more. U.S. labor is more insular than its European counterparts and more fragmented. The American labor movement's decentralization has prevented the kind of broad wages-for-employment bargains that European unions have been able to negotiate with employers and governments. Sweden provides the clearest example, where, through national-level collective bargaining, unions restrained wage growth from the mid-1970s through the mid-1980s in response to pressures on inflation and unemployment. Unionization in the United States has been more expensive for individual employers. In the 1970s and 1980s, it was also vulnerable to employers' divide-and-conquer strategies, through which business owners squeezed organized labor by threatening to shift their operations to nonunion establishments.

Although labor in the United States is on the ropes, the current era of slow wage growth (and, now, high unemployment) might provide an opportunity for its revival. "Inequality" has entered the American political lexicon, partly as a result of the Occupy Wall Street protests that began in mid-2011. Their message will be difficult to sustain, however, without an institutional supporter intent on politicizing the problem of inequality. Of course, inequality is just one of a number of adverse trends. For decades, wages have trailed productivity, attempts to reform labor laws have consistently failed, and, most recently, the government has bailed out banks rather than households. These developments suggest an economic game that has become rigged against working-class Americans. If unions speak out about these economic injustices, they can reclaim their historic role as advocates for a broad range of working people.

The U.S. labor movement will not recover the vitality of its golden era, which was forged in the mobilizations and social legislation of the 1930s. But it could wage a frontal attack on the problem of inequality and revive its legitimacy by speaking on behalf of broad economic interests and appealing to the millions of households hurt by wage stagnation and a diminished political voice. Boldness on the issue of inequality, along with greater inclusivity, could help reverse declining union membership. Indeed, recent successes in labor organizing, such as the Justice for Janitors campaign among immigrant workers in Houston and Los Angeles, have shown the effectiveness of working with community organizations and waging wide campaigns for social justice.

A more politicized brand of unionism, interested in more than just preserving the economic privileges of union members, would stand out as one of the few remaining defenses of working-class affluence and economic opportunity. Of course, unions' claims will be more persuasive if the benefits of unions become more immediately visible. To reverse the perception, and sometimes the reality, that unions care about only their members, labor must take on the challenge of improving productivity and profitability at the local level. In other times and places, unions have played major roles in recruiting and training new workers and in ensuring community well-being outside the firm.

A national campaign against inequality coupled with productivity-centered labor relations at the local level would reflect the lessons of recent labor history. Unionism has been sustained where organized labor has represented broad constituencies and where it has been a vital participant in national economic performance. Reviving that kind of unionism would recall the days in which the economic security and mobility of working people hung on labor. The challenges are formidable. Economic globalization and intense employer opposition make labor's revitalization especially difficult. Yet a rejuvenated labor movement is central to greater economic security and opportunity for working people.

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Mafia States

Organized Crime Takes Office

Moisés Naím

The global economic crisis has been a boon for transnational criminals. Thanks to the weak economy, cash-rich criminal organizations can acquire financially distressed but potentially valuable companies at bargain prices. Fiscal austerity is forcing governments everywhere to cut the budgets of law enforcement agencies and court systems. Millions of people have been laid off and are thus more easily tempted to break the law. Large numbers of unemployed experts in finance, accounting, information technology, law, and logistics have boosted the supply of world-class talent available to criminal cartels. Meanwhile, philanthropists all over the world have curtailed their giving, creating funding shortfalls in the arts, education, health care, and other areas, which criminals are all too happy to fill in exchange for political access, social legitimacy, and popular support. International criminals could hardly ask for a more favorable business environment. Their activities are typically high margin and cash-based, which means they often enjoy a high degree of liquidity—not a bad position to be in during a global credit crunch.

But emboldened adversaries and dwindling resources are not the only problems confronting police departments, prosecutors, and judges. In recent years, a new threat has emerged: the mafia state. Across the globe, criminals have penetrated governments to an unprecedented degree. The reverse has also happened: rather than stamping out powerful

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gangs, some governments have instead taken over their illegal operations. In mafia states, government officials enrich themselves and their families and friends while exploiting the money, muscle, political influence, and global connections of criminal syndicates to cement and expand their own power. Indeed, top positions in some of the world's most profitable illicit enterprises are no longer filled only by professional criminals; they now include senior government officials, legislators, spy chiefs, heads of police departments, military officers, and, in some extreme cases, even heads of state or their family members.

This fusing of governments and criminal groups is distinct from the more limited ways in which the two have collaborated in the past. Governments and spy agencies, including those of democratic countries, have often enlisted criminals to smuggle weapons to allied insurgents in other countries or even to assassinate enemies abroad. (The CIA's harebrained attempt to enlist American mafia figures to assassinate Fidel Castro in 1960 is perhaps the best-known example.) But unlike normal states, mafia states do not just occasionally rely on criminal groups to advance particular foreign policy goals. In a mafia state, high government officials actually become integral players in, if not the leaders of, criminal enterprises, and the defense and promotion of those enterprises' businesses become official priorities. In mafia states such as Bulgaria, Guinea-Bissau, Montenegro, Myanmar (also called Burma), Ukraine, and Venezuela, the national interest and the interests of organized crime are now inextricably intertwined.

Because the policies and resource allocations of mafia states are determined as much by the influence of criminals as by the forces that typically shape state behavior, these states pose a serious challenge to policymakers and analysts of international politics. Mafia states defy easy categorization, blurring the conceptual line between states and nonstate actors. As a result, their behavior is difficult to predict, making them particularly dangerous actors in the international environment.

A REVOLUTION IN CRIME

Conventional wisdom about international criminal networks rests on three faulty assumptions. First, many people believe that when it comes to illicit activities, everything has been done before.

It is true that criminals, smugglers, and black markets have always existed. But the nature of international crime has changed a great deal in the past two decades, as criminal networks have expanded beyond their traditional markets and started taking advantage of political and economic transformations and exploiting new technologies. In the early 1990s, for example, criminal groups became early adopters of innovations in communications, such as advanced electronic encryption. Criminal syndicates also pioneered new means of drug transportation, such as "narco-submarines": semi-submersible vessels able to evade radar, sonar, and infrared systems. (Drug cartels in Colombia eventually graduated to fully submersible submarines.) In more recent years, criminal organizations have also taken advantage of the Internet, leading to a dizzying growth in cybercrime, which cost the global economy some $114 billion in 2011, according to the Internet security firm Symantec.

A second common misperception is that international crime is an underground phenomenon that involves only a small community of deviants operating at the margins of societies. The truth is that in many countries, criminals today do not bother staying underground at all, nor are they remotely marginal. In fact, the suspected leaders of many major criminal groups have become celebrities of a sort. Wealthy individuals with suspicious business backgrounds are sought-after philanthropists and have come to control radio and television stations and own influential newspapers. Moreover, criminals' accumulation of wealth and power depends not only on their own illicit activities but also on the actions of average members of society: for example, the millions of citizens involved in China's counterfeit consumer-goods industry and in Afghanistan's drug trade, the millions of Westerners who smoke marijuana regularly, the hundreds of thousands of migrants who every year hire criminals to smuggle them to Europe, and the well-to-do professionals in Manhattan and Milan who employ illegal immigrants as nannies and housekeepers. Ordinary people such as these are an integral part of the criminal ecosystem.

A third mistaken assumption is that international crime is strictly a matter of law enforcement, best managed by police departments, prosecutors, and judges. In reality, international crime is better understood as a political problem with national security implications.

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The scale and scope of the most powerful criminal organizations now easily match those of the world's largest multinational corporations. And just as legitimate organizations seek political influence, so, too, do criminal ones. Of course, criminals have always sought to corrupt political systems to their own advantage. But illicit groups have never before managed to acquire the degree of political influence now enjoyed by criminals in a wide range of African, eastern European, and Latin American countries, not to mention China and Russia.

In the past decade or so, this phenomenon has crossed a threshold, resulting in the emergence of potent mafia states. José Grinda, a Spanish prosecutor with years of experience fighting eastern European criminal organizations, maintains that in many cases, it has become impossible for him and his colleagues to distinguish the interests of criminal organizations from those of their host governments. According to Grinda, Spanish law enforcement officials constantly confront criminal syndicates that function as appendages of the governments of Belarus, Russia, and Ukraine. In confidential remarks contained in U.S. diplomatic cables released by the whistleblower Web site WikiLeaks, he detailed his concerns about the "tremendous control" exercised by what he termed "the Russian mafia" over a number of strategic sectors of the global economy, such as aluminum and natural gas. This control, Grinda suggested, is made possible by the extent to which the Kremlin collaborates with Russian criminal organizations.

> It has become difficult to distinguish the geopolitical calculations of some states from the profit motives of criminal organizations.

In mafia states, government officials and criminals often work together through legal business conglomerates with close ties to top leaders and their families and friends. According to Grinda, Moscow regularly employs criminal syndicates—as when, for example, Russia's military intelligence agency directed a mafia group to supply arms to Kurdish rebels in Turkey. More indicative of the overlap between Russia's government and its criminal groups, however, is the case of a cargo ship, *Arctic Sea*, that the Russian government claimed was hijacked by pirates off the coast of Sweden in 2009. Moscow ostensibly sent the Russian navy to rescue the ship, but many experts believe it was actually smuggling weapons on behalf of Russia's intelligence services and that the hijacking and rescue were ruses intended to cover up the trafficking after rival intelligence services had disrupted it. Grinda says that the smuggling was a joint operation run by organized criminal gangs and what he cryptically termed "Eurasian security services." The Russians were embarrassed, but the outcome was essentially benign, even a bit comical. Still, the affair underscored the unpredictability of a security environment in which it is difficult to distinguish the geopolitical calculations of states from the profit motives of criminal organizations.

"THE MAFIA HAS THE COUNTRY"

Russia is hardly the only country where the line between government agencies and criminal groups has been irreparably blurred. Last year, the Council of Europe published a report alleging that the prime minister of Kosovo, Hashim Thaçi, and his political allies exert "violent control over the trade in heroin and other narcotics" and occupy important positions in "Kosovo's mafia-like structures of organized crime." The state-crime nexus is perhaps even stronger in Bulgaria. A 2005 U.S. diplomatic cable released by WikiLeaks last year is worth quoting at length, given the disturbing portrait it paints of Bulgaria's descent into mafia statehood. The cable read, in part:

> Organized crime has a corrupting influence on all Bulgarian institutions, including the government, parliament and judiciary. In an attempt to maintain their influence regardless of who is in power, OC [organized crime] figures donate to all the major political parties. As these figures have expanded into legitimate businesses, they have attempted—with some success—to buy their way into the corridors of power. . . . Below the level of the national government and the leadership of the major political parties, OC "owns" a number of municipalities and individual members of parliament. This direct participation in politics—as opposed to bribery—is a relatively new development for Bulgarian OC. Similarly in the regional center of Velingrad, OC figures control the municipal council and the mayor's office. Nearly identical scenarios have played out in half a dozen smaller towns and villages across Bulgaria.

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This state of affairs led Atanas Atanasov, a member of the Bulgarian parliament and a former counterintelligence chief, to observe that "other countries have the mafia; in Bulgaria the mafia has the country."

Crime and the state are also becoming intertwined in Afghanistan, where top government officials and provincial governors—

including President Hamid Karzai's half brother, Ahmed Wali Karzai, who was assassinated last year—have been accused not just of colluding with drug-trafficking networks but of actually leading them. As the drug trade becomes ever more globalized, African countries have been drawn in, too, becoming important transit points for drugs from the Andean region and Asia on their way to drug-hungry European markets. Inevitably, several African rulers and their families, along with lower-level politicians, military officers, and members of the judiciary, have entered the narcotics-trafficking business themselves. In Guinea, for example, Ousmane Conté, son of the late president Lansana Conté, was officially labeled a "drug kingpin" by the U.S. government in 2010.

Mafia states integrate the speed and flexibility of transnational criminal networks with the legal protections and diplomatic privileges enjoyed only by states.

Police departments, secret services, courts, local and provincial governments, passport-issuing agencies, and customs offices have all become coveted targets for criminal takeovers. Last year, René Sanabria, a retired general who headed Bolivia's antidrug agency, was arrested by U.S. federal agents in Panama and charged with plotting to ship hundreds of kilograms of cocaine to Miami. Sanabria pled guilty and was sentenced to 14 years in prison. Similarly, a succession of generals who held the chief antidrug post in Mexico are now in prison for taking part in the very kind of crime they were supposed to prevent.

A mafia state has also taken root in Venezuela. In 2010, President Hugo Chávez appointed General Henry Rangel Silva as the top commander of the Venezuelan armed forces; earlier this year, he became minister of defense. But in 2008, the U.S. Treasury Department added Rangel Silva to its list of officially designated drug kingpins, accusing him of "materially assisting narcotic trafficking activities." The Treasury Department also recently slapped that label on a number of other Venezuelan officials, including five high-ranking military officers, a senior intelligence officer, and an influential member of congress allied with Chávez. In 2010, a Venezuelan named Walid

Makled, accused by several governments of being the head of one of the world's largest drug-trafficking groups, was captured by Colombian authorities. Prior to his extradition to Venezuela, Makled claimed that he had videos, recorded telephone conversations, canceled checks, and other evidence proving he worked for a criminal network that involved 15 Venezuelan generals (including the head of military intelligence and the director of the antinarcotics office), the brother of the country's interior minister, and five members of congress.

Owing in part to such ties, the cocaine business has flourished in Venezuela in recent years, and the country now supplies more than half of all cocaine shipments to Europe, according to the UN Office on Drugs and Crime. And the drug trade is not the only illicit activity that has flourished in Venezuela's era of state-sanctioned crime: the country has also become a base of operations for human trafficking, money laundering, counterfeiting, weapons smuggling, and the trade in contraband oil.

In the past, foreign policy scholars generally considered international crime to be a relatively minor problem that domestic legal systems should handle. The impact of crime, they believed, was insignificant compared with the threat of terrorism or the proliferation of weapons of mass destruction. Fortunately, the conventional wisdom is starting to change. More and more experts and policymakers are recognizing that crime has become a significant source of global instability, especially with the emergence of mafia states.

Criminal gangs, for example, have become involved in for-profit nuclear proliferation. A. Q. Khan, the notorious Pakistani nuclear peddler, claimed that he was spreading bomb-making know-how to other nations in order to advance Pakistan's interests. But the international network he built to market and deliver his goods was organized as an illicit, for-profit enterprise. Nuclear proliferation experts have long cautioned that nonstate actors might not respond to nuclear deterrence strategies in the same way states do; there is reason to worry, then, that as criminal organizations fuse more thoroughly with governments, deterrence might become more difficult. Perhaps most worrisome in this regard is North Korea. Although North Korea recently announced that in exchange for food aid, it would suspend its nuclear weapons tests, stop enriching uranium, and allow international inspectors to visit its main nuclear complex, the country still remains a nuclear-armed dictatorship whose state-directed criminal enterprises have led U.S. officials to nickname it "the Sopranos state." Sheena Chestnut Greitens, an expert on the crime-state nexus in North Korea, has written that the country has "the means and motivation for exporting nuclear material," warning that "proliferation conducted through illicit networks will not always be well controlled by the supplier state," which adds additional uncertainty to an already dangerous situation.

Even putting aside the alarming prospect of nuclear mafia states, governments heavily involved in illicit trade might be more prone to use force when their access to profitable markets is threatened. Take, for example, the 2008 war between Georgia and Russia over the breakaway territories of Abkhazia and South Ossetia. According to the Carnegie Endowment's Thomas de Waal, an expert on the Caucasus, before the conflict, criminal organizations operated highly profitable operations in South Ossetia, where illicit trade accounted for a significant part of the economy. Although direct evidence is difficult to come by, the scale of these illegal activities suggested the active complicity of senior Russian officials, who acted as the criminals' patrons and partners. Of course, the conflict was fueled by many factors, including ethnic strife, domestic Georgian politics, and Russia's desire to assert its hegemony in its near abroad. But it is also conceivable that among the interest groups pushing the Kremlin toward war were those involved in lucrative trafficking operations in the contested areas.

PROFITING IN THE SHADOWS

Increasingly, fighting transnational crime must mean more than curbing the traffic of counterfeit goods, drugs, weapons, and people; it must also involve preventing and reversing the criminalization of governments. Illicit trade is intrinsically dangerous, but the threat it poses to society is amplified when criminals become high-level government officials and governments take over criminal syndicates. Yet today's law enforcement agencies are no match for criminal organizations that not only are wealthy, violent, and ruthless but also benefit from the full support of national governments and their diplomats, judges, spies, generals, cabinet ministers, and police chiefs. Mafia states can afford the best lawyers and accountants and have access to the most advanced technology. Underfunded law enforcement agencies, overworked courts, and slow-moving bureaucracies are increasingly unable to keep up with such well-funded, agile foes.

Law enforcement agencies are also hamstrung by the fact that they are inherently national, whereas the largest and most dangerous criminal organizations, along with the agents of mafia states, operate in multiple jurisdictions. Mafia states integrate the speed and flexibility of transnational criminal networks with the legal protections and diplomatic privileges enjoyed only by states, creating a hybrid form of international actor against which domestic law enforcement agencies have few weapons. The existing tools that national governments can use to counter the new threat—treaties, multilateral organizations, and cooperation among national law enforcement agencies—are slow, unwieldy, and unsuited to the task. After all, how can a country coordinate its anticrime efforts with government leaders or top police officials who are themselves criminals?

The emergence of mafia states imperils the very concept of international law enforcement cooperation. In 2006, the heads of police of 152 nations met in Brazil for the 75th General Assembly of Interpol, the multilateral organization whose constitution calls on it "to ensure and promote the widest possible mutual assistance between all criminal police authorities." Interpol's president at the time was Jackie Selebi, the national police commissioner of South Africa. In his opening address, Selebi exhorted his colleagues "to find systems to make sure that our borders and border control are on a firm footing"; a noble cause, to be sure. Unfortunately, its champion turned out to be a crook himself. In 2010, Selebi was convicted of accepting a $156,000 bribe from a drug smuggler and is now serving a 15-year prison sentence.

But more troubling for Interpol than any single high-profile embarrassment is what insiders call a "low-trust problem," which has historically stifled the agency's efforts. "The sad truth is I am not going to share my best, most delicate information with the Russian or Mexican police departments," one senior official in the United Kingdom's organized-crime agency told me when asked about Interpol.

Even though the agency goes to great lengths to ensure the confidentiality of the information that its member agencies share with it, the reality is that national law enforcement agencies remain wary of revealing too much.

As the role of mafia states has become clearer, law enforcement officers across the globe have begun to develop new policies and strategies for dealing with such states, including requiring high-level public officials to disclose their finances; scrutinizing the accountants, lawyers, and technology experts who protect crime lords; and improving coordination among different domestic agencies. The rise of mafia states has also added urgency to the search for ways to internationalize the fight against crime. One promising approach would be to create "coalitions of the honest" among law enforcement agencies that are less likely to have been penetrated or captured by criminal groups. Some states are already experimenting with arrangements of this kind, which go beyond normal bilateral anticrime cooperation by including not just law enforcement agencies but also representatives from intelligence agencies and armed forces. A complementary step would be to develop multinational networks of magistrates, judges, police officials, intelligence analysts, and policymakers to encourage a greater degree of cooperation than Interpol affords by building on the trust that exists among senior law enforcement officers who have fought transnational criminal networks together for decades. As is often the case, long-term collaborations among like-minded individuals who know one another well and share values are far more effective than formal, officially sanctioned cooperation between institutions whose officers barely know one another.

Unfortunately, despite the near-universal recognition that combating international crime requires international action, most anticrime initiatives remain primarily domestic. And although mafia states have transformed international crime into a national security issue, the responsibility for combating it still rests almost exclusively with law enforcement agencies. Indeed, even in developed countries, police departments and other law enforcement bodies rarely coordinate with their national security counterparts, even though transnational crime threatens democratic governance, financial markets, and human rights.

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An important obstacle to combating the spread of mafia states is a basic lack of awareness among ordinary citizens and policymakers about the extent of the phenomenon. Ignorance of the scope and scale of the problem will make it difficult to defend or increase the already meager budgets of government agencies charged with confronting international crime, especially in a time of fiscal austerity. But such awareness will be hard to generate while so many aspects of the process of state criminalization remain ill understood—and therein lies an even larger problem. Devoting public money to reducing the power of mafia states will be useless or even counterproductive unless the funds pay for policies grounded in a robust body of knowledge. Regrettably, the mafia state is a phenomenon about which there is little available data. The analytic frameworks that governments are currently applying to the problem are primitive, based on outdated understandings about organized crime. Addressing this dearth of knowledge will require law enforcement authorities, intelligence agencies, military organizations, media outlets, academics, and nongovernmental organizations to develop and share more reliable information. Doing so, however, would be only a first step—and an admittedly insufficient one.

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The Climate Threat We Can Beat

What It Is and How to Deal With It

David G. Victor, Charles F. Kennel, and Veerabhadran Ramanathan

For more than two decades, diplomats have struggled to slow global warming. They have negotiated two major treaties to achieve that goal, the 1992 UN Framework Convention on Climate Change and the 1997 Kyoto Protocol. And last year, at the UN Climate Change Conference in Durban, South Africa, they agreed to start talking about yet another treaty. A small group of countries, including Japan and the members of the European Union, now regulate their emissions in accord with the existing agreements. But most states, including the largest emitters of greenhouse gases, China and the United States, have failed to make much progress. As a result, total emissions of carbon dioxide, the leading long-term cause of global warming, have risen by more than 50 percent since the 1980s and are poised to rise by more than 30 percent in the next two to three decades.

The ever-increasing quantity of emissions could render moot the aim that has guided international climate diplomacy for nearly a decade: preventing the global temperature from rising by more than two degrees Celsius above its preindustrial level. In fact, in the absence

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of significant international action, the planet is now on track to warm by at least 2.5 degrees during the current century—and maybe even more. The known effects of this continued warming are deeply troubling: rising sea levels, a thinning Arctic icecap, extreme weather events, ocean acidification, loss of natural habitats, and many others. Perhaps even more fearsome, however, are the effects whose odds and consequences are unknown, such as the danger that melting permafrost in the Arctic could release still more gases, leading to a vicious cycle of still more warming.

All these risks are rising sharply because the traditional approach to international climate diplomacy has failed. For too long, climate science and policymaking have focused almost exclusively on emissions of carbon dioxide, most of which come from burning fossil fuels. Weaning the planet off fossil fuels has proved difficult, partly because expensive and rapid shifts to new energy systems could have negative effects on the competitiveness of modern economies. What is more, carbon dioxide inconveniently remains in the atmosphere for centuries, and so even keeping carbon dioxide at current levels would require deep cuts sustained over many decades—with economic consequences that states are unlikely to be willing to bear unless they are confident that their competitors will do the same. No permanent solution to the climate problem is feasible without tackling carbon dioxide, but the economic and geophysical realities of carbon dioxide emissions almost guarantee political gridlock.

A fresh start to climate diplomacy would emphasize that carbon dioxide is not the only warming pollutant. At least 40 percent of current global warming can be blamed on four other types of pollutants: dark soot particles called black carbon, methane, lower atmospheric ozone, and industrial gases such as chlorofluorocarbons (CFCs) and hydrofluorocarbons (HFCs), which are used as coolants in refrigerators. Nearly all these pollutants have life spans of just a few weeks to a decade—much shorter than that of carbon dioxide. But although their tenure is brief, they are potent warmers. Emitting just one ton of black carbon, for example, has the same immediate effect on warming as emitting 500–2,000 tons of carbon dioxide. Because the impacts of these short-lived pollutants on the climate are severe and swift, limiting them could curb warming quickly, allowing more time for serious efforts to reduce carbon dioxide.

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ALIGNING INTERESTS

LUCKILY, REDUCING short-lived pollutants poses fewer political hurdles than cutting carbon dioxide, for two reasons. First, existing technologies and policies, if properly applied, readily allow for deep cuts in these pollutants. Second, unlike reducing carbon dioxide, the main benefits of which arrive only after decades of costly efforts, controlling these pollutants would actually serve the immediate interests of developing countries, where pollutants such as soot and ozone damage vital crops and cause respiratory and heart diseases. A few hundred million tons of crops are lost to ozone smog every year; in India, air pollutants have decreased the production of rice by about ten million tons per year, compared with annual output in the 1980s. Globally, the inhalation of soot produced by cooking indoors already kills about two million people each year, mostly women and children living in extreme poverty. And because soot is dark, it traps heat from sunlight and thus speeds melting when it settles on mountain glaciers—a direct threat to drinking-water supplies and agricultural lands that depend on glacier-fed river systems in China and India, such as the Ganges, the Indus, and the Yangtze. Owing to these near-term economic and public health risks, even countries that have been skittish about costly long-term efforts to regulate carbon dioxide are already proving more willing to confront short-lived pollutants.

A plan to reduce short-lived pollutants would align the self-interests of the three largest polluting nations: China, India, and the United States, all of which have conspicuously failed to do much about climate change. It would also engage Europe, which has long been committed to the Kyoto Protocol but has struggled to find willing partners. The United States and a few other countries are in the early stages of building a coalition to address short-lived pollutants; China and India must find constructive ways to join. Limiting these pollutants could cut the pace of climate change in half over the next few decades. Visible success in fighting them would also restore credibility to climate-change diplomacy, which is essential for progress on the more daunting task of limiting carbon dioxide. And taken together, immediate action on short-lived pollutants and serious efforts to control carbon dioxide could achieve the goal of stopping warming at two degrees—just barely.

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Still, even those combined efforts cannot reverse the warming that will inevitably occur. Thus, all countries will need to adapt to some of the effects of climate change, especially poorer countries whose economies depend heavily on agriculture and other industries that are especially sensitive to the climate. International cooperation can help these places adapt, but not principally through targets set by diplomats in New York and Geneva, or through the kinds of large-scale, expensive projects directed by wealthy countries and international organizations that have been the mainstay of climate diplomacy to date. Instead, effective adaptation will require bottom-up institution building at the local level to engage people on the frontlines of climate change, such as city planners responding to the risk of rising seas and agricultural ministries helping farmers anticipate how a changing climate will affect their crops. The next era of climate diplomacy should revolve around connecting international experts to those local officials, so that information about best practices can spread more readily.

BEYOND CARBON DIOXIDE

As climate science matured in the late 1970s, all eyes were focused on carbon dioxide. Other gases were known to affect the climate, but human activities emit more carbon dioxide than any other greenhouse gas. Because carbon dioxide came mainly from fossil fuels, which governments tracked closely, its emissions were easy to quantify; other pollutants, by contrast, were much harder to pin down. When policymakers first began to pay attention to global warming, they, too, concentrated on carbon dioxide. The UN Framework Convention on Climate Change and the Kyoto Protocol recognized that other gases also cause warming, and the Kyoto Protocol created a scheme through which countries could meet their emissions-reduction obligations by substituting other gases for carbon dioxide at UN-established exchange rates. But the diplomats set the exchange rates in ways that emphasized long-term climate change, creating incentives to cut carbon dioxide and other long-lived warming gases and effectively penalizing attempts to reduce short-lived pollutants. Some of these, notably soot particles, were omitted from these treaties altogether, because, at the time, their precise warming effects were difficult to quantify.

In the background, however, climatologists started to pay attention to a longer list of greenhouse gases. In the 1970s, CFCs became the first to attract scrutiny. Adding one molecule of these hyperwarmers to the atmosphere has the same climate effect as the addition of more than 10,000 molecules of carbon dioxide. Policymakers, however, were more concerned about the role that CFCs played in depleting the ozone layer, which caused skin cancers, damaged crops, and threatened natural ecosystems. Those risks inspired the Montreal Protocol, a 1987 treaty that banned CFCs and many other ozone depleters. Because the Montreal Protocol focused on pollutants that had little effect on national economic competitiveness, it has been the most successful environmental treaty in history. It set the stage for the ozone layer to heal, and because CFCs are also warming gases, it had the helpful side effect of slowing climate change. In fact, studies have shown that the reduction of CFC emissions since the late 1980s has done more to reduce global warming than all the climate treaties focused on carbon dioxide to date. Unfortunately, HFCs and some of the other gases that have been used to replace CFCs are also strong warming agents; adding them to the list of pollutants covered by the Montreal Protocol, a policy now under consideration, could help phase them out speedily.

As climate science has progressed, researchers have become aware of more warming agents. For the most part, emissions of these pollutants result from primitive energy technologies, mostly in emerging economies. Most black carbon, for example, is emitted by old-fashioned cookstoves, improperly maintained and poorly regulated diesel engines, and outdated power plants. Emissions from all three of these sources could be reduced with available technologies, market-based incentives, and low-cost government regulation. Between 1989 and 2007, California cut its black carbon emissions from diesel engines nearly in half by mandating the use of better fuels and filters.

Similar steps would have an even greater impact in the developing world, where pollution controls are much more primitive. In 2008, a group of scientists working for the United Nations Environment Program (UNEP) estimated that roughly 60 percent of India's soot emissions could be eliminated by replacing traditional stoves that burn unprocessed firewood and dung with cleaner stoves that burn more efficiently by using pellet forms of those fuels. India and other

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South Asian countries could lower their soot levels even further by switching from the primitive kilns used to manufacture bricks to more efficient modern varieties. Similarly, eliminating the burning of solid coal for heating homes in China could reduce black carbon emissions there by more than 50 percent. Developing countries could achieve further soot reductions by installing better insulation in homes (to reduce the need for heating) and by using alternative fuels for heat, such as natural gas, which yields essentially no soot when burned. Making these changes would require governments to subsidize the initial costs of the new technologies. But those expenses would be offset relatively quickly by gains in public health and agricultural productivity.

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The strategy for reducing soot from power plants also involves shifting to more efficient technologies, along with switching to natural gas and installing pollution-control equipment, such as scrubbers and filters, in coal-burning plants. In most places, market-friendly reforms could spur these changes. In India, deregulation and the restructuring of state-owned companies led to increased competition among technology suppliers and power plant operators; as a result, the country's newest coal plants are dramatically more efficient.

During the last 15 years, dozens of research teams have documented effective, low-cost methods of reducing levels of soot and the three other short-lived warming pollutants. Last year, the UNEP summarized their work, highlighting the potential benefits of installing new cookstoves, building more efficient power plants, and plugging the leaks that occur when natural gas is extracted from wells. The UNEP concluded that such steps would make it possible to cut 40 percent of global man-made methane emissions and almost 75 percent of global black carbon emissions by 2030. Those reductions could ultimately prevent as many as five million deaths every year and safeguard as many as 140 million tons of corn, rice, and soybeans every year—the equivalent of four percent of annual global production. These measures would also halve the global warming expected to occur between now and 2050 and sharply raise the odds that total warming could be limited to two degrees.

These aims are ambitious but not unrealistic. Driven by short-term national interests unrelated to climate change, China and India are already trying to cut the air pollution that sullies their cities and undermines their agricultural productivity. China has put in place an elaborate program to document the national economic costs of local pollution and has made energy efficiency a centerpiece of its most recent five-year plans. In India, courts are forcing the national government to take stronger action to control air pollution.

In February, the United States announced that it would lead a group of countries including Bangladesh, Canada, and Sweden in a new strategy to reduce short-lived pollutants. Working with the UNEP, this initiative aims to help countries make the deepest cuts possible by leveraging a form of peer pressure and by sharing information on best practices. For years, major polluters have criticized UN climate talks as too rigid; this initiative could represent a practical complement. But for it to succeed, China and India must find a way to become involved.

Both countries have been wary of diplomatic initiatives that could lead to binding emissions controls, and they have been suspicious that efforts to control short-lived pollutants represent a way for the industrialized nations to avoid taking responsibility for decades of carbon dioxide emissions. Chinese and Indian policymakers need to realize that, in fact, a new focus on short-lived pollutants would allow them to shift climate negotiations to their own terms. It would reduce global warming while letting China and India focus on the pollutants that they are most inclined and able to control.

Success on short-lived pollutants could also help recharge climate diplomacy more generally. Most of the world's governments and big industrial firms—players whose policies and investments are crucial to solving the climate problem—are growing weary of climate talks that have dragged on for decades yet produced few tangible results. A relatively quick and easy victory over short-lived pollutants could help reverse those sentiments and reinvigorate efforts to manage the much harder task of coordinating cuts in carbon dioxide emissions.

EMBRACING ADAPTATION

But even an effective international effort on short-lived pollutants cannot avoid the increase in the earth's temperature that will be the inevitable consequence of the emissions that are still accumulating in the atmosphere. Yet until just a few years ago, even discussing adaptation to climate change was taboo, because activists and policymakers alike wrongly believed that simply talking about preparing to cope with a warmer planet would make averting its arrival seem somehow less urgent. Most of them now realize that adaptation is essential; still missing, however, is a strategy to guide international diplomacy around the issue.

Poor countries are the most vulnerable to the changing climate, and it would be unconscionable for the international community not to help them deal with it. Historically, discussions of foreign aid for dealing with climate change have focused on large-scale projects or on helping government officials from poor countries attend international meetings. Ultimately, those approaches will fail, because adaptation is an intrinsically local activity. Aid must play a role, but countries will have to take control of their own fates. And even in the poorest countries, internationally funded projects—for example, building seawalls in places threatened by rising oceans—will play only marginal roles, at best. What international organizations can do, however, is fund networks to connect local authorities all over the world to one another, which would allow them to share information about best practices. Such networks could also connect local authorities to international experts who can help them assess and respond to climate vulnerabilities in their areas.

Until recently, most climate-risk assessments were done at the global level; very few countries or localities were willing to invest in translating abstract global dangers into practical local actions. But the best adaptation plans draw on the more detailed kind of information about conditions on the ground that is available only to locals. For example, in 2006, California conducted a thorough assessment of its vulnerability to a range of climate-change effects, including more frequent or severe wildfires and a possible 90 percent decline by the end of the century in snow cover in the northern Sierra Nevada mountain range, which would threaten all the state's major rivers. In turn, local officials used those studies to guide their planning. Similar assessments are being performed across the United States—for example, in states along the Gulf of Mexico, where officials and firms that operate the region's infrastructure are now preparing for the higher sea levels and stronger storms that are likely in a warmer world.

Many governments in the developing world are also doing serious assessments, including those in Brazil, China, and India. But locally directed assessments are not occurring in the most vulnerable, poorest places, such as rural Africa, where climate-sensitive agriculture is the dominant economic activity, and low-lying Pacific island nations, where rising sea levels and stronger storms will redraw coastlines. Places such as these would benefit the most from the establishment of collaborative networks of government officials, private-sector firms, and nongovernmental organizations that can share information and expertise, thereby cutting the cost and speeding the implementation of adaptations.

Such connections are already making a difference. For example, in 2004, a team of 300 scientists that included representatives from all eight countries with territory in the Arctic published the *Arctic Climate Impact Assessment*, which synthesized international and local research on the likely effects of global warming on the region. The report is part of a larger, collective effort by the Arctic countries to prepare for those effects and minimize them through controls on pollutants such as soot.

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With its combination of international funding and local expertise, the Arctic assessment project should serve as a model for how to connect high-level climate diplomacy with ground-level policymaking.

AFTER DURBAN

As WITH most global challenges, climate change requires policymakers and activists to align international goals with national interests. The Durban conference witnessed some progress on that front. Delegates there agreed to the so-called Durban Platform, which offers a framework for new climate talks that could reduce the divisions between wealthy and poor countries that have frequently impeded progress. In the past, poor countries have refused to agree to emissions controls and demanded that rich countries alone make all the effort. For their part, rich countries have worried that reducing their own emissions would limit their ability to compete with emerging economic powerhouses such as China. Unlike earlier frameworks that put all the burden for emissions controls on rich countries, the Durban Platform requires all the major emitters to make a serious effort.

That is a good first step, but the practical details that will define any new talks remain unsettled. The largest emitters of short-lived warming gases—China, India, the United States, and the countries of the EU—should demonstrate leadership by putting those pollutants at the center of the next round of diplomacy. In Durban, diplomats also agreed to devote a significant amount (probably several billion dollars a year) to projects relating to adaptation. They should use those funds to build networks to connect people who are developing practical, location-specific ways to adapt.

For the last 20 years, any proposal that de-emphasized the long-term mitigation of carbon dioxide or advocated adapting to irreversible warming was considered a dangerous distraction from the goal of permanently solving the climate problem. But an unrealistic focus on permanence has proved counterproductive, obscuring practical steps that are already attainable and politically attractive to the countries that matter most. The best way to restore faith in climate diplomacy is to make tangible progress on those measures. After all, only once countries revive climate diplomacy can they take on the much harder challenge of taming carbon dioxide emissions.

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Tough Love for Renewable Energy

Making Wind and Solar Power Affordable

Jeffrey Ball

OVER THE past decade, governments around the world threw money at renewable power. Private investors followed, hoping to cash in on what looked like an imminent epic shift in the way the world produced electricity. It all seemed intoxicating and revolutionary: a way to boost jobs, temper fossil-fuel prices, and curb global warming, while minting new fortunes in the process.

Much of that enthusiasm has now fizzled. Natural gas prices have plummeted in the United States, the result of technology that has unlocked vast supplies of a fuel that is cleaner than coal. The global recession has nudged global warming far down the political agenda and led cash-strapped countries to yank back renewable-energy subsidies. And some big government bets on renewable power have gone bad, most spectacularly the bet on Solyndra, the California solar-panel maker that received a $535 million loan guarantee from the U.S. Department of Energy before going bankrupt last fall.

Critics of taxpayer-sponsored investment in renewable energy point to Solyndra as an example of how misguided the push for solar and wind power has become. Indeed, the drive has been sloppy, failing to derive the most bang for the buck. In the United States, the government has schizophrenically ramped up and down support for

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renewable power, confusing investors and inhibiting the technologies' development; it has also structured its subsidies in inefficient ways. In Europe, where support for renewable power has been more sustained, governments have often been too generous, doling out subsidies so juicy they have proved unaffordable. And in China, the new epicenter of the global renewable-power push, a national drive to build up indigenous wind and solar companies has spurred U.S. allegations of trade violations and has done little to curb China's reliance on fossil fuels.

But these challenges don't justify ending the pursuit of renewable power; they justify reforming it. It is time to push harder for renewable power, but to push in a smarter way. Recent advances have made wind and solar power more competitive than ever. Now, for renewable power to reach its potential, the world's approach to it will have to grow up, too. Governments will have to redesign their renewable-power policies to focus ruthlessly on slashing costs. Renewable-power producers will also have to act more strategically, picking the technologies they deploy, and the locations where they place them, in ways that make more economic sense. As renewable power comes of age, it needs some tough love.

This rigor will be crucial, because today's energy challenge is fundamentally harder than those of past decades. Historically, countries have made big energy shifts only when confronted with acute fossil-fuel crises: oil embargoes, debilitating pollution, or wars. That is why in the wake of the 1970s oil shocks, France embraced nuclear power, Denmark ramped up its energy efficiency and then its development of wind power, and Brazil began fueling some of its auto fleet with ethanol. But today's threats—climate change, fluctuating energy prices, and the prospect that other countries might dominate a still-nascent clean-energy industry—are more chronic and less immediate. Thus, they are unlikely to sustain the generous spending that has nurtured renewable energy so far.

SO FRESH AND SO CLEAN

THE FIRST step to adopting a more mature approach to renewable power is to understand how the various technologies work and what challenges they face. Historically, most renewable electricity has come from hydroelectric dams, which now provide about 16 percent of the world's electricity. Today, the sources growing the fastest and receiving the most investor attention are wind and solar power.

Wind power, which generates about 1.4 percent of the world's electricity, is produced as pinwheel-style turbines spin atop towers that rise hundreds of feet above the ground. Solar power provides an even smaller share of global electricity: just 0.1 percent. Techniques for generating it vary; the most popular uses panels containing wafers of silicon thinner than a fingernail to convert sunlight into electrical current. A few of these photovoltaic panels, as they are known, can be mounted directly on a building's roof, letting the occupants produce at least some of their own power. Or hundreds of panels can be grouped together on the ground in vast arrays that funnel power into the electrical grid—sprawling, centralized power plants of a new sort, some of which have been built in the American Southwest.

Although wind power is more widespread today, solar power is theoretically more attractive. The sun emits a nearly limitless supply of energy, and it does so during the daytime, when people use the most electricity. (Wind tends to blow most strongly at night.) Solar power also is easily distributed—panels can be placed on a streetlight or a soldier's backpack—whereas wind power is mostly a centralized energy source, requiring clumps of turbines to generate sizable amounts of power. But both wind and solar energy offer big advantages over fossil fuels. Wind and sunshine are clean, emitting neither the pollutants that cause smog nor the carbon dioxide that contributes to climate change. They are ubiquitous, providing a domestic energy source even in places with no indigenous fossil fuels. And they are essentially never-ending.

There are huge caveats to this rosy assessment, and they come down mostly to money. In most places, producing electricity from new wind and solar projects is more expensive than making it in new conventional power plants. Wind and solar power are younger technologies, with much work left to be done to wring out cost. The downsides of fossil fuels, notably their geopolitical and environmental risks, are not fully reflected in their market prices. And everything about the modern electrical system is predicated on the use of fossil fuels: the coal mines and gas fields that produce them; the railroads, pipelines, and ships that transport them; and the power plants that burn them. That system has been built up and its costs largely paid down over decades.

Wind and solar power enjoy no such entrenched infrastructure. The challenge of making and installing the wind turbines and solar panels is just the start. Massive new transmission lines must be built to move large amounts of renewable electricity from the out-of-the-way places where it is generated to the metropolitan areas where it is consumed. This new equipment costs money, and it often stokes opposition from people who are not used to living near industrial-scale energy infrastructure of any sort. Along with other opponents, a group of landowners in Cape Cod, Massachusetts, for instance, has managed to delay the construction of an offshore wind farm that was proposed back in 2001. Even environmental activists often fight large renewable-energy projects, out of concern for local landscapes or animals. Last spring, the Obama administration temporarily halted construction on part of a solar project in the Mojave Desert because of concerns that it would harm endangered tortoises; the government later let the construction resume.

Taking wind and solar power mainstream will also require better ways to get it to consumers when they need it, since the times when wind turbines and solar panels generate the most electricity are not necessarily the times when people use electricity most. Power plants fired by natural gas can be dialed up or down to meet changing electricity demand, but the sun shines and the wind blows only at certain times. One potential solution is to stockpile renewable power—either in large-scale storage equipment, such as massive batteries, or in smaller-scale devices, such as people's plug-in hybrid cars. Other approaches include better technologies to predict gusts and rays and "smart" electrical-transmission grids that could tie together far-flung renewable-power projects. Both could help compensate in one place for doldrums or gray skies somewhere else. Scientists are working to bring down the cost of all these ideas. For now, in some places with dense concentrations of wind turbines, some of the power they could produce is wasted; the turbines are shut off when the wind is blowing so hard that the turbines would produce more power than the grid could handle.

Wind and solar power will not replace fossil fuels anytime soon—not by a long shot. The International Energy Agency projects that by 2035, wind and solar could be producing ten percent of global electricity, up from 1.5 percent now, and that renewables of all sorts could be generating 31 percent of the world's electricity, up from about

19 percent now. But even that expansion would require an increase in subsidies—"support that in some cases," the IEA notes, "cannot be taken for granted in this age of fiscal austerity." Some countries with particularly generous subsidies and high electricity prices have made wind and solar power big enough to matter. Denmark gets 18 percent of its electricity from wind, and Spain gets two percent from the sun—the world's leaders by share, according to the IEA's latest figures. But even that renewable electricity is backed up by fossil-fuel power plants. Last year, fully one-third of the new electricity-generating capacity brought on line in the United States came from wind and solar projects. Even so, given the vastness of the conventional energy system, wind and solar power remained relatively tiny, accounting for just three percent of the electricity the country actually produced. For the foreseeable future, renewable power is likely to supplement, not supplant, conventional energy.

That is why two other shifts will be at least as important as renewable power in addressing the energy problem. One is cleaning up the burning of coal and natural gas, fuels that are cheap, plentiful, and, according to most estimates, likely to continue to generate the lion's share of the world's electricity for a long time. The other is wasting less of the power the world produces from all sources. That means making buildings, appliances, and industrial processes more energy efficient, a complicated but potentially profitable shift that policymakers and entrepreneurs are working on. According to IEA estimates, between now and 2035, improving the efficiency of fossil-fuel power plants would likely cut global carbon emissions more than 1.5 times as much as would rolling out more wind and solar power.

Considering what renewable power is up against, the drive for it might seem a folly. But giving up now would be a mistake. As a result of recent technological improvements, the prospect of renewable power as an economically competitive part of the energy mix is no longer a pipe dream. Wind turbines and solar panels have gotten more efficient and less expensive. According to government and Wall Street analyses, in some particularly windy places, the long-term cost to investors of producing power from new wind projects can now be less than the cost of producing it from new coal- or gas-fired power plants. Solar power remains more expensive than conventional power (except in a few sunny places with high power prices, such as Hawaii), but its costs, too, are falling rapidly. Now more than ever, sustained but strategic support could produce blockbuster innovations with the potential to meaningfully change the energy mix.

PAYING FOR POWER

WIND AND solar power would be nowhere near as viable without the subsidies they get from governments. To be sure, all energy sources, including fossil fuels, receive state support. But as the energy world's upstarts, wind and solar power will have to be especially scrappy to gain ground. So far, governments worldwide have tended to promote renewable power in ham-fisted ways, spending money inefficiently.

The modern renewable-power push dates to the 1973 Arab oil embargo. At the time, the West generated much of its power from petroleum, so the embargo threatened not just transportation but also the electricity supply. Many countries decided to seek alternative sources of power. The United States made a particular push into wind. In 1978, it rolled out a subsidy called the investment tax credit. It gave wind-farm developers a tax break for every dollar they spent on wind projects, regardless of how many megawatts those projects produced. The goal was wind turbines, not efficient wind turbines, and the result was predictable: by the early 1990s, many of those subsidized machines were breaking down.

In 1992, the U.S. government enacted a smarter wind subsidy, called the production tax credit. It pegged a wind-farm developer's tax break to the amount of electricity the project produced. Around the same time, states began passing laws requiring power companies to produce a given percentage of their electricity from renewable sources. Today, 29 states, plus Washington, D.C., and Puerto Rico, have such standards on their books.

The combination of the federal tax break and the state renewable-energy mandates transformed wind power from an inventor's dalliance into an investment banker's dream. Wind power became a nationwide industry with guaranteed buyers and an attractive rate of return. The tax break did not directly help the mom-and-pop wind developers; their tax liabilities were too small to exploit the full value of the credit.

But it appealed to financial institutions, which, by buying into the developers' wind projects, could apply the federal tax break to their own bottom lines.

Propelled by the tax break, wind turbines have spread across the United States, particularly in the so-called wind alley running from North Dakota down to Texas. But the tax-break strategy has made the campaign for renewable power more expensive than it might have been. Whereas tax breaks for the fossil-fuel industry are long term, those for wind power have come in only one- or two-year bursts, a sign that the country has viewed renewable power as an afterthought. The consequence has been an inefficient, boom-bust cycle of wind-farm development. Companies race to get wind projects built before the current subsidy expires, often installing more turbines than the grid can handle. In some parts of windswept Texas, so many turbines are competing to shove power into the transmission grid that wind farms have had to hold back on windy days.

The tax break, moreover, is not just paying for the construction of wind turbines; it is also lining bankers' pockets. The financial institutions investing in wind farms in exchange for the tax break exact a profit. That's capitalism, of course, and energy is hardly the only industry in the United States that relies on financing from tax breaks. Yet according to some estimates, about 30 percent of the value of renewable-power tax credits ends up benefiting financiers rather than funding renewable-energy production.

The United States is not alone in spending inefficiently on renewable power. Some western European countries have spent even more money than the United States for each unit of renewable power that they have produced. Their solar-panel push, in particular, illustrates how poorly designed subsidies can stymie the development of renewable power.

Germany, hardly a sunny place, was Europe's first big solar power enthusiast. It began promoting the sector in earnest in the early 1990s, largely in response to two crises: the 1986 Chernobyl nuclear accident, which soured many Germans on nuclear power as a fossil-fuel alternative, and the 1990 reunification of poor East Germany and rich West Germany, which launched a national push for job-creation programs, such as solar-industry subsidies. By the late 1990s, Germany had rolled out a subsidy more generous than the United States' renewable-power tax credit. Called a feed-in tariff, it lets solar-project developers sell power to the German electrical grid at a premium price guaranteed by the government. By the middle years of the last decade, the country had become the world's biggest solar market. Investors, from big banks to small entrepreneurs, profited handsomely.

Other countries in Europe eyed Germany's solar stampede with envy. By 2007, with the global economy roaring and popular concern about climate change cresting, Spain enacted its own solar feed-in tariff, which guaranteed a similarly high electricity price. Sure enough, solar developers raced to build projects in Spain (a sunnier place than Germany), and the Spanish government found itself paying out more in subsidies than it had anticipated. Then, the global recession hit, and Spain decided its solar power extravaganza was a luxury it could no longer afford.

Several European countries are now dialing back their subsidies. Germany and Italy have slashed the guaranteed prices they offer new solar projects. The Czech Republic and Spain are going further, retroactively pulling back subsidies they already gave to existing projects. That retrenchment has slammed the brakes on the development of solar power in Europe. And it has had a ripple effect worldwide, eroding the stock prices of solar-panel makers from California to China that had ramped up their production to supply the European market.

CHINA'S RENEWABLES PUSH

As Western governments have scaled back their support for renewable power, China has been pushing full steam ahead. Probably more than any other country today, China feels an imperative to develop renewable power—to boost jobs and exports, to consume cash and counter inflationary pressure, to ease the country's rising fossil-fuel demand, and to help clean up its polluted air. In China, the global leader, renewable-energy investment, excluding spending on research and development, surged to about $50 billion in 2010, according to Bloomberg New Energy Finance. Next came Germany, at $41 billion, and then the United States, at about $30 billion.

The scale of China's push, although massive, should not be overstated. China still generates about 80 percent of its electricity from coal. It is building dozens of new coal-fired power plants each year and is laying a massive network of pipelines to import more natural gas. According to IEA figures, wind and solar in China, as worldwide, together provided about 1.5 percent of electricity in 2009, and that share might rise to ten percent by 2035.

China's push has produced some of the biggest wind-turbine makers in the world. Bigger, however, does not necessarily mean more efficient. China's early wind power subsidies, like those in the United States, rewarded installing wind turbines, not producing wind power. That subsidy structure, combined at the time with rules requiring that a certain percentage of the material for each turbine to be produced domestically, gave Chinese wind power companies a powerful leg up on foreign competitors. (In the past two years, the Chinese company Sinovel displaced General Electric as the world's second-biggest wind-turbine manufacturer by market share, behind Denmark's Vestas.) But the Chinese system also led to overkill. In the region of Inner Mongolia, Chinese companies installed more turbines than the grid could handle, and about 25 percent of those turbines have yet to be connected to transmission lines. China is racing to beef up the grid, but for now, the excess turbines amount to very tall white elephants.

A smart U.S. strategy for renewable power would exploit globalization rather than fight it.

China's solar power industry has grown even faster than its wind power sector. More than any other factor, the torrid expansion of low-cost Chinese manufacturing to feed the heavily subsidized European solar power market is what has slashed the price of silicon, and of solar panels, over the past two years. Indirectly, the Chinese solar power juggernaut killed Solyndra. The company's product, a novel system of photovoltaic tubes that used less silicon than traditional flat panels, was not competitive in a world where silicon was suddenly cheap. Last fall, a handful of Western solar-panel makers filed a trade complaint against their Chinese counterparts, alleging that China's solar power subsidies violate trade laws, allowing Chinese companies to dump solar panels on the U.S. market at prices below the cost of production. Beijing has denied the charge, saying in return that it will investigate the fairness of U.S. renewable-power subsidies.

U.S. officials are expected to issue a final decision later this year about whether to impose unfair-trade duties on imported Chinese panels. But beyond this legal dispute lies a larger lesson: if the goal of the renewable-power push is a cleaner, more diversified power supply, then low-cost solar equipment, from China or anywhere else, is a good thing. That, in turn, suggests a bedrock principle for a smart U.S. renewable-power strategy: exploit globalization rather than fight it.

POWER PLAY

A SENSIBLE PUSH for renewable power in the United States would start with a broader effort to make the nation's energy system cleaner and more secure. The Obama administration's stimulus plan sought to compensate for the lack of a comprehensive energy strategy by picking a portfolio of short-term winners, such as Solyndra. Even if some of those bets pay off—and many still might—those sorts of wagers are insufficient. A better approach would be to set a broad direction for the energy system and then let that newly defined market determine which technologies and companies rise to the top. One worthwhile move would be for the government to boost funding for advanced energy research, just as it raised funding for space research when it wanted to send a man to the moon and ratcheted up spending on defense research when it wanted to win the Cold War. Another would be to aggressively prioritize improvements in energy efficiency, because it makes no sense to pay for wind and solar power that then will be frittered away in inefficient buildings and machines. Yet another reasonable step would be to slap a price on carbon emissions, although its effectiveness would depend on the details. Many corporations and investors have been advocating a carbon price, but they disagree mightily over how to structure it. And the structure would determine how the policy affected U.S. consumers, various industries, and, indeed, the planet.

An essential part of any shift to a cleaner and more secure energy system would be rationalizing the patchwork of conflicting energy subsidies that has been stitched together over decades. According to the IEA, renewable energy worldwide receives less money in annual subsidies than fossil fuels do. Renewable energy, including fuels for transportation and electricity, got $66 billion in subsidies globally in

2010, the IEA says, a fraction of just one subset of subsidies for fossil fuels: the $409 billion to defray their cost to consumers. But the flip side, some studies conclude, is that renewable sources in their early years have been more heavily subsidized than fossil fuels for every unit of electricity they actually produce. An apples-to-apples comparison of energy subsidies, and an open debate about which ones most effectively promote the kind of energy system the United States wants, should appeal to honest partisans of all stripes.

Once the United States sets out a sensible overall energy approach, it should tailor its wind and solar strategies to play to the country's strengths. That means focusing on the higher end of the market, developing next-generation technologies and business models that have the potential to make wind and solar power truly cost competitive with fossil fuels. Despite much hype about the potential for "green jobs," the United States should be selective about the kinds of green jobs it pursues: not run-of-the-mill assembly-line positions that can be easily outsourced, but jobs in engineering, high-value manufacturing, and renewable-power installation, financing, and servicing. Studies of the solar power industry suggest that the bulk of the jobs are not in making the panels. They lie upstream, in producing the raw materials and the machinery that are used to make the panels, and downstream, in installing and servicing the panels. Indeed, much of the machinery used in Chinese solar-panel factories today is made in America. Similarly, some of the most innovative business models for deploying solar panels on rooftops—such as that in which companies install the equipment for property owners at no up-front cost and then charge the consumers a favorable electricity price—come from U.S. firms.

To the extent that the United States installs today's renewable-energy equipment, it should relentlessly squeeze out cost. One way to do that would be to auction renewable-power subsidies to companies that agree to produce the largest amount of electricity at the lowest price. Another would be to expand the box of tools used to finance wind and solar power—moving beyond today's tax credits to instruments that broaden the pool of investors and thus lower the cost of capital. A third would be to clear away the thicket of regulatory barriers that impede innovation and distort the renewable-energy market.

In the United States, regulators at the federal, state, and local levels should simplify the permit process for wind and solar projects, including the installation of transmission lines, even in the face of opposition from landowners and environmentalists. Some studies suggest that upward of 20 percent of the cost of installing solar-panel systems in the United States comes not from the panels themselves but from administrative red tape. Balancing the desire for renewable power with property rights and local environmental concerns is crucial. But prioritizing certain areas of the country for renewable-energy development, and then streamlining the process of breaking ground on projects, would accelerate those ventures that make the most economic sense.

Globally, policymakers should resist the urge to slap tariffs and local-content requirements on renewable-energy equipment. All countries, including China, should be forced to comply with international trade rules. If they play fair, however, they should be allowed to play hard. In renewable power as in other industries, tough competition will produce the most cost-effective products. The most enduring way for the United States to snag a profitable piece of the global renewable-power market is to do certain things better than other countries, not to try to deny American consumers commodities that other countries can make legally at a lower cost.

If the United States followed this strategic approach, far from ceding its ambitions as a global renewable-power leader, it would harness its strengths as a technological innovator to make wind and solar power more competitive as a complement to coal and natural gas. On the one hand, such a strategy would recognize that renewable power has benefits over fossil fuels that, in this early stage of its development, are worth paying extra for. On the other hand, it would seek to ensure that subsidies for renewable power, as well as subsidies for conventional energy, gradually shrink and eventually even stop.

The energy debate has been too ideological for too long. Wind and solar power will never reach the scale necessary to make a difference to national security or the environment unless they can be produced economically. That is why the United States needs to be clear about its goals. The objective is not wind turbines or solar panels. It is an affordable, convenient, secure, and sustainable stream of electrons. Wind and solar power may well provide much of that electricity, but only if they can be produced in a way that doesn't break the bank.

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Developing Symptoms

Noncommunicable Diseases Go Global

Thomas J. Bollyky

When most people in developed countries think of the biggest health challenges confronting the developing world, they envision a small boy in a rural, dusty village beset by an exotic parasite or bacterial blight. But increasingly, that image is wrong. Instead, it is the working-age woman living in an urban slum, suffering from diabetes, cervical cancer, or stroke—noncommunicable diseases (NCDs) that once confronted wealthy nations alone.

NCDs in developing countries are occurring more rapidly, arising in younger people, and leading to far worse health outcomes than ever seen in developed countries. This epidemic results from persistent poverty, unprecedented urbanization, and freer trade in emerging-market nations, which have not yet established the health and regulatory systems needed to treat and prevent NCDs. According to the World Economic Forum's 2010 *Global Risks* report, these diseases pose a greater threat to global economic development than fiscal crises, natural disasters, corruption, or infectious disease.

The international community has done little to help. Most donors remain focused on the battle against infectious diseases, reluctant to divert their funds. A recent UN General Assembly meeting devoted to NCDs produced few concrete measures. With the global economy still in decline and funding scarce, the chances of new effective cooperation seem smaller than ever.

Collective action on NCDs need not wait for UN endorsement, economic recovery, or a reallocation of money away from campaigns

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against infectious diseases. The international community can make progress now by addressing those NCDs that are especially prevalent among poor people in developing countries and by helping their governments combat those diseases. For this effort to succeed, the United States must lead the way. In doing so, it can help curtail avoidable sickness and death and set the precedent for action on other emerging global health challenges that share the same origins and devastating consequences for the world's poor as the NCD crisis.

THE DISEASE DIVIDE

THE NCD problem in developing countries is far worse than it has ever been in the developed world. NCDs in emerging-market nations are arising in young working-age populations at higher rates and with more detrimental outcomes than in wealthy states. According to the World Health Organization (WHO), 80 percent of deaths from NCDs now occur in low- and middle-income countries, up from 40 percent in 1990. People with NCDs in middle-income countries are more than twice as likely to die before age 60 as those in high-income nations, and people in low-income countries are four times as likely to do so.

NCDs that are preventable or treatable in developed countries are often death sentences in the developing world. Whereas cervical cancer can largely be prevented in developed countries thanks to the human papillomavirus vaccine, in sub-Saharan Africa and South Asia, it is the leading cause of death from cancer among women. The mortality rate in China from stroke is four to six times as high as in France, Japan, or the United States. Ninety percent of children with leukemia in high-income countries can be cured, but 90 percent of those with that disease in the world's 25 poorest countries die from it. By 2030, NCDs will be the leading cause of death and disability in every region of the world.

The rise of NCDs has devastating social and economic consequences for developing countries. The frequent onset of these diseases among younger populations consumes scarce health-care resources, saps labor from the work force and hinders economic development, and makes it harder for governments to address other threats, such as infectious diseases. On the household level, NCDs consume budgets and rob families

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of their primary wage earners. A recent report by Harvard University and the World Economic Forum projects that over the next two decades, NCDs will inflict $14 trillion in economic losses on the developing world.

LIVING DANGEROUSLY

THE REASONS for the exploding NCD crisis in developing countries begin, paradoxically, with increased life expectancy. The greater availability of effective medical technologies, such as vaccines, and the improved diffusion of good public health practices, such as hand washing and breastfeeding, have sharply lowered child mortality across the globe. The vast majority of the world's newborns are now immunized against diseases such as measles, polio, and yellow fever, and the widespread use of oral rehydration salts has made cholera deaths increasingly rare. According to the World Bank, infant mortality decreased by half between 1960 and 2005 in 80 percent of the countries for which there are data, and global average life expectancy increased from 31 years in 1900 to almost 67 years by 2009.

Extending lives is, of course, a good thing. But the problem is that although life expectancies for the poor have increased in low- and middle-income countries, they have done so without the gains in personal wealth and better health systems that accompanied the rise in longevity in most developed countries. With the significant exception of China, the poor have not benefited from the recent economic growth in developing countries. Since 1981, the number of people worldwide living on less than $1.25 per day—1.1 billion—has remained roughly the same, and more than two-thirds of those people now live in middle-income countries. Meanwhile, health-care spending, although slowly expanding in Latin America, the Middle East, and parts of Asia, remains incredibly low; the state of Connecticut allocates more to it than the 38 low-income countries in sub-Saharan Africa combined. With such little public support, the poor in developing nations often cannot afford preventive or chronic care, increasing the odds of disability and death from diabetes, cancer, and other NCDs that people contract after their adolescent years.

The nearly nonexistent regulation of tobacco, alcohol, and processed food products in many developing countries compounds the challenges of rampant poverty and inadequate health care by increasing the likelihood that poor people will develop NCDs. These nations fear that increased taxes on unhealthy products will damage their economies and lead to public discontent. Regulators face strident opposition from tobacco, food, and beverage producers, which are sometimes partly or fully owned by the government in question. In many developing countries, patient-advocacy groups hardly exist. Civil litigation, which played a critical role in improving tobacco control and education in the United States, is far less common and successful in the developing world. And inadequate labeling and regulation of ingredients hurt the poor most, since they have neither the opportunity to educate themselves about health risks nor the money to buy healthier food.

Meanwhile, freer trade and the increased global integration of tobacco, food, and beverage markets are overwhelming the little public health infrastructure that does exist in many developing countries. With stagnating sales in high-income nations, multinational companies now target low- and middle-income countries, launching sophisticated advertising campaigns to drive growth. Tobacco companies, in particular, use billboards, cartoon characters, music sponsorships, and other methods now prohibited in most of the developed world to entice women, who used to be less likely to smoke than men. These tactics have raised tobacco sales across Asia, eastern Europe, and Latin America and are expected to do so in Africa. In more than 60 percent of the countries surveyed in a 2008 study by the WHO and the U.S. Centers for Disease Control and Prevention, girls now smoke just as often as boys.

Unprecedented rates of urbanization in developing countries have exacerbated these challenges. In 1950, over 70 percent of the world's population lived in towns and villages; by 2008, a majority had moved to cities. Most of this urbanization has occurred in emerging-market nations, where cities have little public health infrastructure. The result has been slums—90 percent of which are in developing countries and which house nearly one billion people. The inhabitants of these densely packed areas, faced with pollution outdoors and the burning of fuels indoors, are more susceptible to cardiovascular and respiratory diseases. Slum dwellers are more likely to buy tobacco products and cheap processed foods and less likely to have access to adequate nutrition or public health education.

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THE RIGHT PRESCRIPTION

Despite the enormity of the NCD epidemic devastating the poor in developing countries, it is possible to slow and reverse it. The measures necessary to prevent NCDs in healthy people are well known, and affordable medicines exist for improving care for those already living with these diseases. Treatments for NCDs, such as insulin and asthma inhalers, are no longer under patent and would do much to reduce avoidable disability and death if made more widely available. The World Bank estimates that developing countries could lower their projected rates of disability and death from NCDs by half by raising taxes on and restricting the marketing of tobacco and alcohol, reducing salt and trans fats in foods, and using beta-blockers, aspirin, and other low-cost interventions to control hypertension.

The international community can help developing countries build the capacity necessary to implement these policies. To begin with, the WHO and its member countries should attempt to reach a firm consensus on the prevention and treatment strategies needed to address the NCDs particularly striking the poor in developing nations. Next, based on those strategies, they should design a practical package of programs that emerging-market countries can implement even in low-infrastructure settings. This might involve, for instance, determining the minimum level of taxes and the scope of marketing restrictions needed to diminish unhealthy alcohol consumption. Experienced health and tax officials from the developed world should then work with their counterparts in the developing world to build their capacity to carry out these protocols.

Modest levels of aid from philanthropic foundations, donor governments, and multilateral development banks would enable low-income countries to pilot and launch these efforts. Developed countries should establish a program to monitor these NCD control measures, publishing the results to hold governments accountable for their implementation.

COLLECTIVELY STALLED

The international community has long known of the NCD crisis plaguing the developing world. The WHO first called attention to the problem in 1996, when it issued a landmark report that contradicted long-standing views of NCDs as diseases of affluence, reporting that they would soon dwarf the burden of infectious diseases in developing countries and pose severe challenges to their health-care systems. Over the next decade, the WHO concluded an international treaty on tobacco control, produced numerous strategy papers on NCD prevention and treatment, and launched a department dedicated to addressing NCDs on a global level.

Yet despite these efforts, the WHO attracted little international support for action against NCDs. Global health donors and institutions remained preoccupied with containing infectious diseases and improving maternal and child health. According to a 2010 report by the Center for Global Development, between 2004 and 2008, 70 percent of total funding for NCDs came from just three sources, by far the largest of which was the WHO itself. That same report found that in 2007, programs devoted to NCDs received less than three percent of the nearly $22 billion spent on global health.

To place NCDs firmly on the international agenda, a group of concerned countries and nongovernmental organizations (NGOs) successfully lobbied to hold a high-level meeting on NCDs at the UN General Assembly in September 2011. Organizers agreed that the meeting would address the challenges of NCDs worldwide but focus on cancer, diabetes, cardiovascular disease, and respiratory illnesses, in part because those diseases share four major risk factors: tobacco use, alcohol use, physical inactivity, and an unhealthy diet. The WHO produced a set of strategies to reduce these factors, estimating that it would cost approximately $11.4 billion per year to fund them in developing countries. Expectations for the meeting were high. The only other UN General Assembly meetings on health have concerned HIV/AIDS, and they helped motivate donors to spend billions of dollars on lifesaving drugs for the developing world.

Yet optimism faded before the meeting had even begun. NGOs fought over the lack of focus on other major NCDs, such as mental illnesses. The donors that have dominated the international responses to infectious diseases, such as the Bill and Melinda Gates Foundation, argued that the meeting could distract from existing global health initiatives and divert their funding. Advance negotiations among UN member countries became bogged down in disagreements over whether to agree to NCD reduction targets and mandatory measures to contain these diseases worldwide; the tobacco, food, beverage, and pharmaceutical industries lobbied heavily against such regulations. And although 130 countries, 30 heads of state, and hundreds of NGOs came to advocate for action on a bewildering array of diseases, when the conference opened, the streets outside the UN were empty of the masses of supporters and patients that had characterized the UN high-level meetings on HIV/AIDS.

The commitments that emerged from the meeting were largely rhetorical. The resulting political declaration recognized the "epidemic proportions" of NCDs and noted that countries can prevent them with cost-efficient public health measures, but it did not mandate specific methods nor even argue for their adoption. It endorsed private-sector partnerships and the sharing of technical assistance between developed and developing countries, but it failed to designate anyone to organize or fund such initiatives. The most concrete action mandated was to shift the responsibility for NCDs back to the WHO, charging it with generating voluntary disease- and risk-reduction targets, since nations could not agree on mandatory policies, and asking UN members to "consider" these targets in developing their national NCD plans. The WHO recently announced that it would probably not be able to get its 194 member countries to agree on these voluntary targets until at least May 2013.

In the end, the UN meeting helped mobilize the NGO community and broaden public recognition of the human and economic toll of NCDs worldwide. Several governments, of their own volition, introduced new regulations on trans fats and dietary salt. Numerous corporations, such as PepsiCo, announced that they would launch voluntary initiatives to make their products healthier and donate funds to improve the treatment of NCDs. Even so, frustrated supporters demanded a more comprehensive meeting to address the social and economic causes of NCDs worldwide. Critics cited these modest results as proof that amid the gobal financial troubles and corporate lobbying, collective action on NCDs is impossible.

ALL AT ONCE AND NONE AT ALL

YET THE notion that a weak global economy and a conspiracy of industrial lobbyists prevented progress at the UN meeting is wrong. As currently pursued, international efforts on NCDs would also fail to generate support in a good economy—as they have since the WHO first reported the emerging epidemic of NCDs. The effectiveness of corporate lobbying at the UN meeting was a symptom of poorly conceived collective action on NCDs, not its cause.

Collective efforts against NCDs have failed because of the disparate nature of these diseases and the decision to try to address them on a global level. In addition to cancer, diabetes, cardiovascular disease, and respiratory illnesses, NCDs include a wide array of conditions, such as skin diseases, congenital anomalies, mental disorders, rheumatoid arthritis, and dental decay. These diseases are not all chronic, related to unhealthy habits, or even noncommunicable. As a class, NCDs have little in common other than being the diseases that become more prevalent as a population reduces the plagues and parasites that kill children and adolescents. NCDs are, in short, the diseases of those with longer lives.

Trying to address these diseases as a single class and on a global level has both broadened opposition and diffused support for effective action. On one hand, addressing NCDs as a single category has united a wide array of otherwise disconnected industries, from agriculture to pharmaceutical companies and restaurants, against global targets to reduce NCDs and their risk factors. On the other hand, it has made it difficult to mobilize states and sufferers of NCDs worldwide around a specific and meaningful policy agenda. And when NCDs are presented as imposing the same challenges in developed and developing countries alike, policymakers and potential donors are apt to conclude that they cannot be solved by international action and are simply the natural consequence of economic development.

To move forward, the international community should focus on the NCDs and risk factors especially prevalent among the developing-country poor and on the particular needs of their governments to address them. This targeted approach would build stronger international support for concrete action while minimizing the number of potential opponents.

Tobacco offers a good place to start. According to the WHO, tobacco use already kills more people annually than HIV/AIDS, tuberculosis, and malaria combined. In the coming decades, it is projected to debilitate and kill hundreds of millions more, largely in low- and middle-income

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countries. Tobacco use is the only leading risk factor common to all the major groups of NCDs: cancer, diabetes, cardiovascular illness, and respiratory dysfunction. By increasing support for tobacco control in developing countries, the international community could help reduce one of the most significant threats to global health today.

Fortunately, a platform for combating tobacco use already exists: the WHO Framework Convention on Tobacco Control (FCTC), a binding treaty with 173 member states that mandates taxes, advertising, and other measures to lower demand for tobacco products. The WHO, in partnership with Bloomberg Philanthropies, developed a package of evidence-based strategies, called MPOWER, to turn the broad mandates of the FCTC into practical programs that developing-country governments can implement. Together with the Centers for Disease Control and Prevention, the WHO tracks global tobacco use and the implementation of the FCTC and publishes the results. The Campaign for Tobacco-Free Kids works with local media and civil society to hold governments accountable for enforcing the recommendations put forth by MPOWER.

These programs are making progress, but they are limited by a lack of funding and technical capacity within developing countries, as well as fierce industry opposition. Outside the handful of developing countries that receive support from Bloomberg Philanthropies and the Gates Foundation, tobacco control in developing countries remains woefully underfunded. A low-cost way to extend anti-tobacco programs to other developing countries is for the international community to integrate these programs into existing global health initiatives on tuberculosis and maternal and child health. Countries with experience in regulating and taxing tobacco, such as the United States, should help build those capacities in developing countries. Developed countries must also stop trying to reduce tobacco tariffs and protect tobacco-related investments in their trade agreements with low-income nations. With these measures, developed countries can support the world's poorest countries in their efforts to make sustainable progress against tobacco use.

Meanwhile, international initiatives to reduce the intake of alcohol, trans fats, and salt should focus for the time being on existing programs and partnerships with suppliers and retailers designed to make their beverages and food healthier. These voluntary measures may not

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replace the need for taxes and regulations in these areas, but they could promote progress until the capacity and popular support for such programs grows. When that time comes, the improvements made in country-level regulatory and taxation systems for tobacco control could be extended to address alcohol, trans fats, salt, and other NCD risk factors. Integrating the monitoring of alcohol and unhealthy food consumption into the existing international tobacco-surveillance system would also offer a cost-effective means of collecting evidence on the implementation of the initiatives in these areas.

Yet prevention measures alone cannot solve the NCD problem. Expanding existing international vaccine-procurement mechanisms to include essential medicines for NCDs would help developing countries obtain the supplies necessary to meet the needs of their citizens. More donor support is required for product-development partnerships, such as the international organization PATH, which is working to adapt existing medical technologies for NCDs for use by low-income countries.

Finally, the international community should not forget the poorest countries, where the consumption of unhealthy products is low and tobacco-prevention programs would offer only limited benefits to those suffering from cancer, diabetes, and other NCDs. International NCD efforts should aid these countries by supporting the expansion of existing treatment programs, such as those established in Africa by the U.S. President's Emergency Plan for AIDS Relief and Partners in Health, to encompass the treatment of NCDs.

FROM VILLAGE TO SLUM

GLOBAL HEALTH needs are changing. The NCD crisis in developing countries represents one part of a set of growing health challenges, from food safety and environmental pollution to road safety and substandard medicines, now replacing infectious diseases as the major causes of premature disability and death worldwide. These other challenges share similar origins as NCDs—freer trade, unprecedented urbanization, and limited local government capacity—and likewise have devastating consequences for the world's poor.

Whether targeting NCDs one by one or approaching them comprehensively, the international community will depend on the United States to lead. To make progress, Washington will need to demonstrate a sustained commitment to reducing the avoidable disability and deaths that result from persistent poverty and unequal access to effective prevention and treatment programs. The same commitment motivated U.S. initiatives on infectious diseases and maternal and child health, and should do so again with regard to NCDs. U.S. engagement can help catalyze international action not only against the current wave of diseases sweeping across developing countries but also against these other emerging health problems.

Washington has dedicated past global health initiatives to delivering food, drugs, and other health technologies to the world's poor. In doing so, it has been able to achieve progress even in countries with dysfunctional governments. But it cannot enforce the regulations on smoke-free public places, food and drug safety, urban sanitation, and road traffic that are now needed in such settings. Accordingly, the fundamental challenge in this new era of global health is not necessarily new medicine but better governance.

To meet this challenge, the United States will need to recalibrate its approach to global health. The Centers for Disease Control and Prevention, the U.S. Food and Drug Administration, and other U.S. regulatory and technical agencies must have more resources and a greater mandate to support the efforts of their developing-country counterparts. The contributions of U.S. diplomatic and aid agencies, such as the State Department and the U.S. Agency for International Development, will remain important, but they will be limited to funding pilot programs and creating the international consensus that can give the governments of emerging-market nations courage in the face of industry opposition. Closer collaboration between U.S. trade and regulatory officials on international standards could make it easier for developing countries to adopt strict tobacco, food, and drug regulations that would facilitate both commerce and public health. The United States should coordinate its efforts with the WHO and regional entities such as the Pan American Health Organization, which convene states with similar cultures, economic circumstances, and demographic challenges. With these low-cost measures, the United States can extend the same lifesaving support that it has provided to the little boy in a rural, dusty village to the working-age woman living in an urban slum.

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Reviews & Responses

Before Christopher Columbus' arrival, the New World was no pristine Eden. In fact, Native Americans were inventive people who molded the world around them.

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Review Essay

The First Global Man

The Americas Before and After Columbus

Jeremy Adelman

1491: New Revelations of the Americas Before Columbus. BY CHARLES C. MANN. Knopf, 2005, 480 pp. $37.50 (paper, $16.95).
1493: Uncovering the New World Columbus Created. BY CHARLES C. MANN. Knopf, 2011, 560 pp. $30.50.

The last half century has not been kind to Christopher Columbus. Drawing on a study of exhumed skulls from fifteenth-century Europe, an article in the most recent *Yearbook of Physical Anthropology* found that syphilis, first diagnosed in Europe in 1495, was carried back to the continent by Columbus' crew. Within a decade, the bacterium had spread to European soldiers in India, who then infected Asians, making syphilis the first global epidemic. Once the great explorer, Columbus was now just an agent of venereal disease.

Columbus has long stood at the center of debates about globalization: when and how it began, and who it has helped and hurt in the five centuries since he made landfall in 1492. His discovery of the Americas was central to the process of integration and growing interdependence of the various parts of the world, one that continues to this day.

For many years, historians and the public viewed Columbus as a visionary, a heroic discoverer, and a defier of orthodoxy. In the 1960s, however, the prevailing academic view of the Genoese mariner became less flattering. Columbus was slathered with blame for all the destruction that followed in his wake: tens of millions of Native Americans dead and another ten million Africans enslaved. Yes, Columbus connected the hemispheres and ushered in the modern world, but the benefits

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accrued mainly to Europeans. Revisionist historians, such as Kirkpatrick Sale, captured this mood. Sale's popular 1990 account, *The Conquest of Paradise*, argued that Columbus spearheaded a campaign to plunder and destroy the Edenic world of the Americas. Instead of celebrating the 500th anniversary of the American landfall, Sale and others lamented it, echoing the growing public discontent with globalization itself.

Among scholars, the simplistic debate over whether Columbus was good or bad has become considerably more nuanced. The full significance of 1492 for global history—and the history of globalization—has come into ever-sharper relief. Historians now focus more on the role that native peoples played in the course of European expansion and conquest, treating them less as passive victims and more as active participants in global integration.

There has been a broader shift, too. Instead of seeing the discovery and colonization of the Americas as just one in a series of discoveries and breakthroughs, a school of thought now identifies 1492 as the central pivot of world history. The first popular book to do this was the scientist Jared Diamond's 1997 bestseller, *Guns, Germs, and Steel*, which tried to explain how Europeans came to dominate the world—how they came to possess lethal technologies and biological immunities. For Diamond, the conquest was more or less inevitable, and the effects of the clash less important than its course.

It is against this backdrop that the journalist Charles Mann has written two major books that, more sharply than any others, ask how 1492 shaped the subsequent centuries of global integration. The conquest of Native American worlds is not his subject. It is rather the conquest's effects and legacies, including lessons that Native Americans and their descendants can teach the rest of us about the use of resources. Native Americans may have been victims. But whereas Diamond saw them as doomed because of their technological backwardness, Mann reveals that they had accumulated a staggering amount of knowledge on the eve of the conquest. Their indigenous innovations triggered an economic bonanza and kicked off what we today call globalization.

NATIVE AMERICA'S GOT TALENT

What did the world look like before 1492? This is the question Mann asks in *1491*, which depicts the Western Hemisphere before it was inducted into global trade and immigration. Mann, a popular science author, has written several books on the intersections of science, technology, and commerce. Standing aloof from academic squabbles, he is able to put scholarly findings in perspective, free of insider jargon. Mann brings science to life through his narratives of discovery; his heroes are the anthropologists, archaeologists, and demographers who shatter received wisdoms about the past by applying their tools to anomalies and unexplained histories.

Mann seems to get particularly excited when the discoveries debunk the textbooks he was raised on, such as William McNeill's 1967 *A World History*, which ignored the Americas when charting the wellsprings of civilization. Mann forgives McNeill for reflecting the conventional wisdom of his day, which explained the so-called rise of the West as the result of an endogenous European capacity for progress. But he has no patience for the historians who commit the same oversight in his son's textbooks several decades later. "The thesis of the book in your hands," he tells readers, "is that Native American history merits more than nine pages."

Mann's books invite readers to picture the past differently. He asks them to imagine flying over the urban sprawl of Tiahuanaco, in modern-day Bolivia, one of the oldest metropolises of the ancient Andes, or to examine from a height the farm of Dona Rosario, a descendant of runaway slaves in Brazil. These snapshots of the New World show how nature was ordered, resources organized, and property tended. What may look ramshackle or dilapidated from one angle makes good sense from another.

From such unusual vantage points, Mann builds an unusual counternarrative about the Americas before the conquest. Where Diamond stressed some basic differences between peoples (their technological prowess, their biological immunities, their cultures of warfare), Mann emphasizes human commonalities. For instance, he argues that Eurasians and the original Americans were not so different in the way they dealt with nature. Mann wants to bury the myth of the New World as a pristine Eden where people lived suspended in time, incapable of turning nature into their garden. The conquistadors often justified the devastation they wrought by proclaiming that the defeated were simply part of nature, not its masters. Ironically, centuries later, purportedly progressive environmentalist authors, such as Sale, would similarly argue that, in Mann's words, Native Americans lived "in a spiritual balance with Nature." Mann shows that Native Americans were in fact something very different, and in that sense familiar: inventive people who molded the world around them.

To make this case, Mann turns to demographers and archaeologists, such as Henry Dobyns and William Denevan, whose recent research has confirmed that pre-Columbian civilizations exploited nature to support large, densely populated, urbanized societies. Whereas in the early 1960s, the prevailing view was that the New World had only a few million people when the Spanish arrived, nowadays the more accepted figures are between 40 million and 80 million; some scholars argue the population may have reached 200 million.

In order to sustain such large numbers and such immense cities as Cahokia (in today's midwestern United States) and Tiahuanaco, the original Americans had to do more than pick berries; they had to transform their environment. Mann demonstrates this by invoking recent findings that the first Native Americans crossed from Siberia to Alaska earlier than was traditionally thought, perhaps as far back as 25,000 years ago. They thus had time to develop their own techniques for shaping the virgin landscape. In central Mexico, Native Americans devised a complex system of hydraulic engineering. At a time when Europeans were still counting with their fingers, the Olmec had already invented the number zero. By 3000 BC, there were fully 25 complex cities in the New World. And Mann speculates that before Columbus arrived, up to two-thirds of what is now the continental United States was covered in fields, with much of the Southwest terraced and irrigated.

Europeans, in short, were not the only ones who laid waste to the Americas; so did the Native Americans. But Mann makes the case for a particular Native American approach to the environment and the use of natural resources that people today would do well to study and possibly emulate. In the thousands of years it took for the Native Americans to adapt to their environments, they devised strategies to make exploitation sustainable. Consider the Amazon, which would be a wet desert if cultivated like a European farm because intensive tillage would deprive the weathered, acidic soils of the energy they need. Native Americans turned this rainforest into an arable frontier capable of feeding millions.

The European conquest did not entirely bury the evidence for this alternative model of resource husbandry. Asked to write a magazine article in the 1980s on the battle over Pacific Northwest salmon, Mann found proof that Native Americans in present-day Oregon had long ago figured out how to extract fish in large numbers without killing them off. Their descendants have continued the practice. So Native Americans were, and to some extent remain, the champions of a balanced method of extracting resources. Their lesson for today is not that one should give up on technological progress and become subject to the land. It is that one can master the land without sowing the seeds of its destruction.

UNFAIR TRADE

In *1491*, Mann showed how Native Americans, like Eurasians, harbored ancient traditions of innovation and remade their surroundings. But there was a fundamental difference. In the Eastern Hemisphere, inventions spread quickly through trade, and in doing so, they spurred new technologies. The western half of the globe saw very little, if any, traffic between its hubs of human improvement.

All societies, Mann insists, miss technological breakthroughs and have blindspots that can be bridged by traffic in ideas and goods. The problem for Native Americans before 1492 was that they were cut off from African, Asian, and European discoveries—and even innovations on their own continent—that could have filled those gaps. Lacking seaworthy craft or effective beasts of burden (the llama is a prickly porter), Native American communities were largely unable to travel, and so most became inward-oriented.

Mann's sequel, *1493*, is an account of the Americas and globalization: how trade and immigration, kicked off by Columbus, transformed the New World, and how the New World, in turn, remade the old one. The idea of a Columbian exchange comes from one of Mann's scientific heroes, the environmental historian Alfred Crosby. Crosby's revolutionary 1972 book, *The Columbian Exchange: Biological and Cultural Consequences of 1492*, focused not only on the humans who traveled between the Old and New Worlds but also on the diseases (smallpox to the Americas, syphilis to Eurasia), crops (sugar went west, potatoes went east), and animals (pigs tore through the American underbrush with predator-free abandon) that accompanied them. This exchange was the most important ecological event in the planet's history since the death of the dinosaurs. Crosby overturned a long-standing academic tradition of seeing the integration of the hemispheres as flowing one way, from Europe to the Americas. He also helped tear down the view that progress and economic growth were endogenous to Europe.

Even the victims of Columbus' landfall contributed to the welfare of Eurasians. Centuries of Native Americans' genetic improvements to maize and potatoes, for example, let the rest of humankind extract more calories per acre. Although the Native Americans themselves were nearly wiped out by diseases brought by Columbus and his followers, in the centuries after 1492, the rest of the world's population began to climb steadily. By laying waste to the Americas, Europeans acquired the means to rebuild their own societies, which had been decimated by medieval plagues and invasions. Along the way, of course, they spun tales of having discovered "natural man" living in the unspoiled forest.

For the past four decades, historians have been living in the shadow of *The Columbian Exchange*; indeed, Crosby remains the dominant character of *1493*. This may explain why the publication of Mann's sequel has made much less of a splash than did *1491*; the gist of the argument and much of the evidence are so familiar. Old World crops, such as tobacco and sugar, made such places as Virginia and Brazil possible. As parasites killed off the locals, Europeans enslaved Africans, who became a new source of labor. Drawing on Crosby, Mann terms the years following 1492 a "nascent Homogenocene"—a biological era of increasing homogenization—because the conquest created the conditions for the mixing, swapping, and blending that have yielded a more biologically uniform planet. Still, although *1493* is less of a concept buster than *1491*, it does illuminate the full extent of the exchange, adding recent empirical findings to Crosby's foundational model.

Mann's new narrative has plenty of twists, and even some instances of inadvertent Native American revenge. He describes how the explorer Francis Drake brought the potato back to England, where it spread to Ireland and Ukraine—only to betray the peasants who had come to depend on it when it fell prey to diseases for which it had no immunities. (To compound the irony, the culprit was a fungus that came with guano, the excrement that had been stripped from Peruvian islands in order to fertilize European farms.) The exchange came full circle when, following the potato famine of 1845–52, the Irish started moving in droves to the Americas.

Mann also globalizes what was for Crosby an essentially Atlantic exchange. New World resources and crops reached as far as China, establishing a worldwide commercial network. Europeans' access to American silver allowed them to trade for Chinese silks, bringing China back into the international order, from which it had withdrawn in the fifteenth century. China also imported new grains and tubers, which allowed its agrarian frontier to spread and its population to grow. The humble American sweet potato helped China double its population, to 300 million, by 1800.

These developments support Mann's view that globalization started much earlier than most scholars assume. But his figures are not quite as reliable as one might hope. His estimate, for example, that China sucked up half of the New World's silver output does not rest on solid foundations. Mann's *1493* also contains a number of embellished claims,

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such as his assertion that Mexico City was the first of the world's "modern, globalized megalopolises."

Despite these rhetorical flights, Mann succeeds in demonstrating that after 1492, the world became not just interconnected but interdependent. From the convergence of two old worlds emerged one: ours. But *1493* is no emollient history of globalization. Mann shows how the transfer of biota, knowledge, and assets from Europe to the Americas was a profound, wrenching, and, for Native Americans, pitilessly devastating process. By 1650, 90 percent of the native population had been wiped out. In *1491*, Mann recounts how large and sustainable the pre-Columbian population was; in *1493*, he details the findings of demographic historians, such as Noble David Cook, who have charted the wave after wave of epidemics that ravaged the survivors of the conquest. Meanwhile, the countries most greedily importing American silver, China and Spain, were soon beset by inflation and economic turmoil. Still, in the end, biology, not technology, gave Europeans the advantage.

NEW WORLD ORDER

The most obvious contribution Mann's books make to the history of globalization is the often forgotten point that the New World was central to the story of global integration. His books will continue to challenge Eurocentric histories, such as Niall Ferguson's recent *Civilization: The West and the Rest*, in which a half dozen Western "killer apps" do the handiwork of Europe's ineluctable triumph over the rest, including the Americas. Mann reminds those who tend to think of the Americas as having remained essentially separate from the rest of the world until the United States emerged as a superpower that the hemispheres actually had a deep history of interaction. And he forcefully rebuts those, such as Ferguson, who tend to think that Europeans invented modernity on their own. Globalization was not a unique European creation; it could not have been possible without the resources that Native Americans had already figured out how to exploit before 1492.

Mann's second message is that the accumulated learning of the original Americans—their mastery of nature—survived the catastrophe of the Columbian exchange. The wardens of that learning are the Native Americans' descendants, who continue to make use of resources in artful and productive ways. Take, for example, Rosario and her family in Brazil. By letting messy shrubbery grow along the tributaries of the Amazon River, they create habitats to harvest shrimp alongside trees for producing limes, coconuts, and hearts of palm. This mishmash does not look like an orderly farm, but it is lucrative and sustainable. Models such as these serve as a rebuke to trendy environmentalists in the West who want to slow or stop the human exploitation of natural resources altogether. And it challenges those industrialists who want to release man and machine from all constraints in a mad rush to exploit today's commodity boom. The clash of these two philosophies takes place almost exclusively in the global North. Most of their counterparts in the South do not think much of either option and reject the false choice between pure predation and deforestation, on the one hand, and untouched wilderness, on the other.

It is no secret that globalization has been a disaster for some and a boon to others. That it has been the cause of great ecological transformations, dating back to Columbus' arrival in the Americas, is less well understood. Any future textbook on world history will have to reckon with this development and its portrayal in Mann's books.

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Review Essay

America's Hidden Government

The Costs of a Submerged State

Desmond King

The Submerged State: How Invisible Government Policies Undermine American Democracy. BY SUZANNE METTLER. University of Chicago Press, 2011, 176 pp. $45.00 (paper, $15.00).

Over the course of the past century, the American state—the sum of all government programs and policies—has grown dramatically larger and more complex. From a massive standing army to an extensive social safety net to significant taxation, from mortgage guarantees to student loans to environmental protections, the range and scale of government activity taken for granted by American citizens today would have been inconceivable to their great-grandparents.

All this activity has generally improved and become intricately embedded in citizens' lives—which is why attempts to cut the government back tend to be unpopular and unsuccessful. Yet many also feel that the government has started to overreach and that its costs and burdens are becoming unsustainable—which is why bemoaning the extent and growth of the American state is also a perennial feature of political debate. This tension between the fact of a large, active state and doubts about its value is a distinctive feature of the American political scene.

One consequence and driver of the contested legitimacy of the American state is the degree to which so much government work has gone underground in recent decades, far more than in other advanced industrial countries, which is the subject of the political scientist Suzanne Mettler's important new book, *The Submerged State*. Increasingly, Mettler argues, many government policies in the United States are designed to be hidden from view, executed not through direct, highly visible legislation but rather through indirect and passive mechanisms, such as tax breaks, leading citizens to underestimate both

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the scale of government activity in general and the extent to which it benefits them individually. Thus, by making it seem that Social Security pensions are connected to the taxes citizens themselves pay, or by transferring money to citizens not as outright grants but rather as mortgage interest tax deductions or tax exemptions on employer-provided health and retirement savings accounts, the structure of the submerged state disguises just who is getting what from the government and how.

In regular state programs, there is a great deal of direct interaction between citizens and the government. For example, in welfare programs for the poor, such as Temporary Assistance for Needy Families or food stamps, aid recipients have to meet personally with officials to persuade them of their eligibility. The resulting experience of the state is physical, transparent, and often repetitive. In contrast, almost a quarter of Medicare payments—covering over 11 million recipients—are made through private insurance companies, obscuring the role that the federal government is playing. This helps explain the instantly classic episode of the antigovernment Tea Party town hall participant a couple of years ago who angrily warned his representative to "keep your government hands off my Medicare."

The submergence of the state is a significant problem for American society, Mettler claims, because it "obscure[s] the role of the government and exaggerate[s] that of the market." Invisible policies reduce democratic control over the government in two ways: first, because they fly under the public's radar, they are not obvious targets of reform in the first place, and, second, because they create deep structural patterns of social and economic activity, they are difficult to uproot even once they are noticed.

Take health care. Critics of President Barack Obama's plans in this sector rage that he has tried to have the government take over one-sixth of the economy, as if the system Obama inherited were not already heavily influenced by state activity. In fact, the existing political economy of employer-subsidized health care largely suited many constituencies, including health-care providers and insurance companies. As Mettler notes, this meant that when the Obama administration approached health-care reform, it could not simply ignore or maneuver around political obstacles; it had to "find ways to work through them, by either obliterating them or restructuring them." Health-care reform thus involved not simply the normal challenge of policymaking in a controversial arena filled with vested interests but grappling with the existing deep structures of a submerged state that few voters understood was there in the first place.

Dropping state activities below the public's radar encourages Americans to think that they do not rely on the government for help, even when they do. Mettler reports that "only 44 percent of Social Security beneficiaries perceive themselves to have benefited from a government social program." Presented with a list of 21 types of federal programs, she notes, 94 percent of people polled who said that they had never benefited from any of them were wrong. People who receive mortgage tax relief, for example, often do not consider themselves to be beneficiaries of government largess and can thus blithely talk about the government

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as something irrelevant to their lives except as a tax burden.

Underestimating state activism also denies the government public credit for the help it provides and allows people to believe that smaller government is achievable without significant harm. Moreover, submerged-state policies are overwhelmingly regressive, thus reinforcing and expanding social inequality instead of counteracting and reversing it. The combination of visible policies that help the lower orders and invisible ones that help the middle and upper classes leads people to think that the government helps only the undeserving poor, allowing politicians to mobilize and exploit anti-government rhetoric and values even as they continue to funnel support to their better-off constituents.

WHAT WE TALK ABOUT WHEN WE TALK ABOUT THE GOVERNMENT

The submerged state is vast. In 2008, forfeited federal tax revenues—the bulk of the American submerged state—came to 7.4 percent of GDP. This was more than two-fifths as large as the costs of the nonsubmerged state, which amounted to 18 percent of GDP. In 2011, tax relief for employer-provided health insurance cost $177 billion, tax relief for employer-provided retirement benefits cost $67.1 billion, and tax relief for home mortgages cost $14.5 billion. Three industries in particular—finance, real estate, and insurance—benefit from the system, which they achieve by lobbying heavily and systematically contributing to political campaigns in order to retain and fortify their privileges.

Republicans have used the submerged state to reward certain groups of beneficiaries without risking charges of hypocrisy for increasing the size of the government. But Democrats have done the same, mindful of the antistate rhetoric that has dominated the public discourse over the last generation. This bipartisan backing is reflected in lobbyists' strategies: they contribute to prominent politicians on both sides of the aisle.

Obama's stimulus package, the American Recovery and Reinvestment Act of 2009, included tax breaks worth $288 billion, representing over a third of the act's total cost. These included raises in the annual tax-credit threshold for individuals and households (the Making Work Pay Tax Credit), new college tuition credits (the American Opportunity Tax Credit), increases in the Earned Income Tax Credit and child tax credits, and new credits for first-time homebuyers. As Mettler writes, "the stimulus bill achieved Obama's goals of channeling funds toward low-to-moderate-income Americans, but it did so by further expanding the submerged state." Such measures are easier to pass, but they are also a far less visible legacy of government policy than major infrastructure projects or celebrated policies such as the GI Bill.

Submerged-state policies, moreover, are extremely hard to reform. When it comes to health care, for example, the insurance industry, the pharmaceutical industry, and the medical profession are well mobilized and understand the complexity of the system far better than the public at large, making them powerful obstacles to change.

To explore the link between the submergence of the state and voters' civic engagement, Mettler conducted some fascinating experiments. For example, dividing respondents into two groups with comparable knowledge and ideologies, she gave the groups different amounts of information about how certain policies work and which income groups benefit most from them. She found that the more information people got about such policies as mortgage relief, retirement savings relief, and the Earned Income Tax Credit, the more they supported them. But the more they learned about who benefited, the more they tended to favor programs that help the poor rather than those that help the rich. She concludes that with better information, "opposition to those [policies] favoring the affluent would grow" and "support for those [programs] aiding the less well-off would increase." A more general point is that explaining the workings of the submerged state clearly and transparently allowed people to develop and express informed views about it.

Many submerged-state policies have developed haphazardly, as casual afterthoughts to other major legislation. Mortgage tax relief is a classic instance. It was tacked onto the 1913 bill creating individual income taxes; the provision received little discussion at the time and was never foreseen as a major policy initiative. These days, however, as politicians have recognized the advantages of pushing initiatives through in this way, they have used this tactic more deliberately and craftily. Thus, Mettler shows how the Obama administration chose to expand federal funding for higher education by slipping new tuition tax credits into a reform of the student loan system. Getting legislation establishing new grants passed by Congress would have been difficult, if not impossible; increasing student loans through tax credits was much easier. So in the end, the administration was able to achieve some of its policy goals—but it had to do so in a way that skewed rewards away from low-income families (who would have benefited more from grants) and increased student debt.

One fascinating part of Mettler's book deals with the details of student loans, showing how the "government-sponsored enterprise" Sallie Mae and other intermediary lender organizations have jealously guarded their lucrative but unnecessary role in channeling money from the federal government to banks. The Obama administration sensibly wanted to move to a flatter system of more direct lending, thus saving the significant funds skimmed off by the middlemen in the process. It was ultimately able to do so, getting its tweaks enacted through a budget reconciliation measure along with health-care reform. But Mettler makes clear just how difficult it was to make the change, thanks to the entrenched position and vigorous lobbying of the beneficiaries of the old order. Even when "the corrupt practices of the student loan industry had been well exposed," she writes, and when the old system would have required a major bailout to be maintained, "nonetheless the shift to direct lending . . . barely succeeded."

One subject Mettler does not engage fully is race. The policies that currently make up the submerged state give disproportionately fewer benefits to African Americans, since they have fewer mortgages or tax-exempt retirement accounts than the population at large. She focuses on class, noting that "the policies of the submerged state have aided and abetted the upward distribution of riches, with more and more of the largesse accrued to those at the very top." This is absolutely true—but in this case class and race reinforce each other, with increasing inequality hurting African American workers and households even more than others because of their already lower position in the income distribution.

It is no exaggeration to say that a debate about the proper size, structure, and purpose of the American state will lie at the heart of the presidential election this coming November. The incumbent supports the existing state and wants to use it even more aggressively as a democratically guided tool for providing broad public goods. His potential challengers claim to fundamentally disagree; they oppose tax increases, demand budgetary cutbacks, and pillory government activity in general (apart from the military). Thanks to the increasing submergence of the state, however, much of this debate is beside the point, taking no notice of the true costs and benefits of the mass of government activity going on under the table. One can only hope this important book brings all that more fully into public view.

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Review Essay

India's Broken Promise

How a Would-Be Great Power Hobbles Itself

Basharat Peer

Behind the Beautiful Forevers. BY KATHERINE BOO. Random House, 2012, 288 pp. $27.00.
The Beautiful and the Damned. BY SIDDHARTHA DEB. Faber and Faber, 2011, 272 pp. $26.00.

India's political and business elites have long harbored a desire for their country to become a great power. They cheered when Prime Minister Manmohan Singh finalized a nuclear deal with the United States in 2008. Indian elites saw the deal, which gave India access to nuclear technology despite its refusal to give up its nuclear weapons or sign the Nuclear Nonproliferation Treaty, as a recognition of its growing influence and power. And Indian elites were also encouraged when U.S. President Barack Obama announced, during a 2010 visit to India, that the United States would support India's quest to gain permanent membership on the United Nations Security Council, which would put the country on an equal footing with its longtime rival, China. In recent years, such sentiments have also spread to large segments of the Indian middle class, which, owing to the country's remarkable economic growth in the past two decades, now numbers around 300 million. Nearly nine out of ten Indians say their country already is or will eventually be one of the most powerful nations in the world, an October 2010 Pew Global Attitudes survey revealed.

Symbols of India's newfound wealth and power abound. Last year, 55 Indians graced *Forbes'* list of the world's billionaires, up from 23 in 2006. In 2008, the Indian automobile company Tata Motors acquired Jaguar and Land Rover; last year, Harvard Business School broke ground on Tata Hall, a new academic center made possible by a gift of $50 million from the company's chair, Ratan Tata. And in 2009, a company run by

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the Indian billionaire Anil Ambani, a telecommunications and Bollywood baron, acquired a 50 percent stake in Steven Spielberg's production company, DreamWorks. Gaudy, gargantuan shopping malls proliferate in India's cities, and BMWs compete with auto-rickshaws on crowded Indian roads. Tom Cruise, eyeing the enormous Indian movie market, cast Anil Kapoor, a veteran Bollywood star, in the most recent *Mission: Impossible* sequel and spent a few weeks in the country to promote the film. "Now they are coming to us," one Indian tabloid gloated.

But even as Indian elites confidently predict their country's inevitable rise, it is not difficult to detect a distinct unease about the future, a fear that the promise of India's international ascendance might prove hollow. This anxiety stems from the tense duality that defines contemporary India, an influential democracy with a booming economy that is also home to more poor people than any other country in the world.

Of course, staggering poverty and crippling inequality at home do not necessarily prevent countries from trying to project their power abroad. When India won its independence, in 1947, it was even poorer than it is today. Yet Jawaharlal Nehru, the country's founding prime minister, sought to raise India's international profile, providing significant political support to independence movements in British colonies in Africa and Asia and helping found the Non-Aligned Movement. Throughout the Cold War, Indian leaders sought to use their country's victory over British colonialism to inspire other subject peoples in their own struggles for self-determination—and, in the process, to gain more global influence than otherwise might have been possible for an impoverished country. In this way, India's Cold War–era foreign policies, although primarily concerned with national interests, contained an element of idealism, and the country's growing international profile during those early decades of independence served as a powerful symbol of freedom and autonomy in the Third World.

Over time, however, India has exchanged idealism for realism, as the country's leaders have gradually abandoned an anticolonial distrust of hegemony and embraced great-power ambitions of their own. Thus, although India has made admirable progress in many areas, it is unclear whether an ever-growing Indian role in global affairs symbolizes anything more than the country's expanding definition of its self-interest. It is therefore hard to avoid feeling a sense of ambivalence when considering the prospect of India's ascent, especially when one scrutinizes the poverty, corruption, and inequality that suffuse Indian life today—as do two recent, revealing books: *Behind the Beautiful Forevers*, by Katherine Boo, and *The Beautiful and the Damned*, by Siddhartha Deb.

NOT SO BEAUTIFUL

The economic reforms India enacted in the early 1990s and the economic growth they spurred have pushed more than 100 million Indians above the poverty line and created a vibrant middle class. But 455 million Indian citizens—more than a third of the country's population—still live on less than $1.25 a day, the subsistence poverty line set by the World Bank. Images of India's poor are almost a cliché. But the ubiquity of these depictions obscures the fact that very few of them provide rich, multilayered accounts of how the country's impoverished millions actually live.

Boo's new book is a welcome exception. An extraordinary work of reportage, *Behind the Beautiful Forevers* is the single most illuminating portrait of India's poor, their ambitions, and the monumental labors they perform and sacrifices they make to escape destitution. Boo, a staff writer at *The New Yorker*, has written movingly about poverty and the unequal distribution of opportunity in the United States. But beginning in 2007, she spent three years in Annawadi, a Mumbai slum abutting the city's international airport—"a stretch where new India and old India collided and made new India late," as she puts it.

In 1991, a group of about a dozen Tamil migrant workers were hired to repair a runway at the airport. After completing the job, they decided to settle nearby, hoping to make a living recycling the seemingly endless piles of scrap metal and garbage generated by the airport and the construction of luxury hotels adjoining it. "In an area with little unclaimed space, a sodden snake-filled bit of brushland across the street from the international terminal seemed like the least-bad place to live," Boo writes. The migrants cleared the brush, filled the swamp with dry earth, and built shacks on the new solid ground. The squalid encampment eventually grew to house 3,000 people. Today, the overwhelming majority of Annawadi's residents are engaged in the informal, unorganized economy, working off the books without any legal protections or guarantees of a minimum wage—as do 85 percent of all Indian workers. They labor in conditions that are unhygienic and dangerous. But the meager wages they earn allow them to live above the official poverty level.

Debates about poverty in India often overlook just how hard India's poor work to improve their conditions. By focusing on individual residents of the slum, Boo draws a moving portrait of that struggle. Abdul, a teenager who lives in Annawadi, is an expert at sorting trash and scrap metal and then selling it to recyclers. His days begin early, arranging screws, nails, and bottle caps into neat piles. By sunset, he has usually sorted about a dozen sacks of garbage, which he hauls to a buyer in a beat-up three-wheeled cart. In the years Boo spent observing Abdul, his wages helped his family add a roof to their shack and pay $450 to have his father treated for lung disease in a private hospital. Still, Boo notes, Abdul's mother longs for a more hygienic way of life for her four children: "She wanted a shelf on which to cook without rat intrusions—a stone shelf, not some cast-off piece of plywood. She wanted a small window to vent the cooking smoke that caused the little ones to cough like their father."

These are modest wishes. But they reflect a ubiquitous desire for upward mobility in India, present at every socioeconomic level. Indeed, among India's middle class, the desire for more comfort and luxury can be just as strong as, if not stronger than, the desire of a slum dweller for a clean shelf and a window vent.

INDIA'S GILDED AGE

For the poor and the middle class alike, the dream of upward mobility has collided with the reality of the growing economic and social inequality that increasingly defines the country. The contemporary moment in India is akin to the Gilded

FLICKR / MACKENZIENICOLE

Wasted potential: picking up trash in Ghazipur, India, 2008

Age in the United States. A vast gulf has opened up between the rich and the poor as some Indians—including robber barons and con artists—have found ways to profit from the rapid transformation of a largely agrarian society into a modern economy.

The Indian writer Siddhartha Deb tells this tale with devastating clarity in *The Beautiful and the Damned*, a meticulously reported set of essays that sketch the contours of wealth, inequality, and the new anxieties they have created in India. In Deb's book, present-day India is personified most vividly by Arindam Chaudhuri, a magazine publisher and movie producer who, despite being equipped only with an undergraduate degree from a little-known Indian college run by his own father, transformed himself into a sought-after business guru and consultant by aggressively recruiting young, ambitious Indians to enroll in a management-training institute he owns outside New Delhi. Chaudhuri's ascent has been marred by accusations of fraud: according to India's University Grants Commission, his institute is not authorized to grant master's degrees, and most of its graduates wind up working not for top-tier multinational corporations but rather for Chaudhuri's own various enterprises. Yet with his carefully crafted image of material success and his gospel of relentless confidence and ceaseless self-promotion, Chaudhuri remains a figure of reverence among his many devotees—"an army of Gatsbys," Deb calls them, "wanting not to overturn the social order but only to belong to the upper crust."

That goal, however, has become increasingly unrealistic. According to a recent Organization for Economic Cooperation and Development report, inequality in earnings has doubled in India over the last two decades. In 1990, the top ten percent of earners made six times as much as the bottom ten percent; today, the top ten percent earns 12 times as much as the bottom ten percent. Consumption in the top 20 percent of Indian households has increased by around three percent every year during the past decade. Meanwhile, the annual growth in consumption for the bottom 20 percent has stayed at one percent.

Chief among the factors that contribute to inequality in India are prejudice and corruption, both of which undermine meritocratic advancement and stymie upward mobility. Although economic liberalization has provided socially disadvantaged citizens with more opportunities than they had in earlier eras, intense discrimination persists against Indian Muslims and lower-caste Hindus, such as Dalits, or "untouchables." In 2009, the Indian Institute of Dalit Studies, a New Delhi–based research institute, conducted a study to measure the impact of discrimination on hiring practices. The authors responded to job openings at Indian companies and multinational corporations based in India, sending in mock resumés from equally qualified applicants with identifiably Muslim and lower- and upper-caste Hindu names. Despite the applicants' identical qualifications, the authors reported, "the odds of a Dalit being invited for an interview were about two-thirds of the odds of a high caste Hindu applicant. The odds of a Muslim applicant being invited for an interview were about one-third of the odds of a high caste Hindu applicant."

ENDURING CORRUPTION

Although those groups on the social margins continue to face the most difficult odds, frustrations have also begun to mount across a wider spectrum of Indian society, as a restless, young, educated population finds its expectations thwarted by the corruption that permeates all levels of government in India. In August and September of last year, India was convulsed by massive anticorruption protests triggered by a series of scandals, including the sale of millions of dollars' worth of cell-phone spectrum at below-market rates to well-connected telecommunications companies and outrageous graft and fraud in construction contracts for the Commonwealth Games held in New Delhi in 2010. The scandals involved lawmakers; high-profile politicians from the ruling party, the Indian National Congress; and business tycoons. Inspired by the tactics of India's founding father, Mahatma Gandhi, a veteran antigraft activist named Anna Hazare went on a hunger strike. Hazare brought out tens of thousands of largely middle-class supporters into the streets to demand that the Indian parliament create a powerful anticorruption body whose leader would have the authority to investigate government officials, including the prime minister.

The protests released decades of pent-up frustrations over rising inequality and failures of governance. Not surprisingly, however, the anticorruption law that Hazare and his team had lobbied for was defeated in a vote in the Indian parliament, whose members would have been its primary targets. And although Hazare borrowed Gandhian techniques, the 74-year-old activist is no Gandhi, but a deeply flawed advocate for change, enamored of such archaic ideas as flogging alcoholics to "cure" them and chopping off hands as a punishment for corruption. Making matters worse, late last year, a leading figure in Hazare's movement was herself accused of financial improprieties. By the beginning of this year, media coverage of the movement had diminished substantially, popular enthusiasm had dimmed, attendance at Hazare's gatherings had thinned, and the movement had withered.

Corruption has also proved difficult to root out because it is not simply a matter of the powerful preying on the weak. As Boo's book reveals, graft and fraud can offer ways for a poor person to climb the socioeconomic ladder—a shortcut of sorts. One of the more ambitious people Boo met in Annawadi was Asha, a woman in her late 30s whose education ended in the seventh grade. A local politician secured a job for Asha teaching in a state-run junior high school in the slum, despite the fact that she lacked a college degree. In return, Asha spent her classroom time solving problems in the slum and organizing rallies for the politician. In short order, she became a slum boss with access to other local politicians, police officers, and bureaucrats. In this role, she helped slum residents receive vital services or find funding for social-service programs. But she was hardly a model for champions of civil society. By plying police officers with sexual favors, Asha would persuade them to side with whichever party in a slum dispute was willing to bribe her. She eventually became rich by partnering with a local government official to steal federal government money intended for schools for the poor.

Theft of that sort has dire consequences for its victims. In 2010, India spent $28.6 billion on antipoverty programs. But last year, a World Bank report revealed that 59 percent of the grain allotted for public distribution to the poor in India does not reach its intended recipients; instead, it is siphoned off by middlemen and crooked government officials and then sold on the black market. This is one reason behind the grim precariousness of life in India. Four hundred and sixty million Indians are between the ages of 13 and 35, and by 2020, the average age in India will be 29. In theory, this so-called youth dividend should give the country a long-term economic advantage over China, whose population will ultimately suffer from a predominance of elderly people thanks to China's one-child policy. But a vast number of the boys and girls who should become part of India's work force in the coming decades are instead dying of undernourishment. According to UNICEF, malnutrition is more common in India than in sub-Saharan Africa. One in every three malnourished children in the world lives in India. More than 2.1 million Indian children die every year before reaching their fifth birthdays; half of those die within a month of birth.

In a poignant moment in *The Beautiful and the Damned*, Deb meets an unemployed accountant looking for a job at one of the hellish factories outside Hyderabad, a center of India's burgeoning information technology sector. The accountant studied history as a university student and asks Deb if he has read the work of the Indian economist Amartya Sen, who has written about hunger and inequality. "You remember what [Sen] said about famine, that it doesn't necessarily happen because there isn't enough food but because the powerful take food away from the powerless?" the accountant asks. "It is still like that in India. Are you going to write that in your book?"

DEMOCRACY OR PSEPHOCRACY?

The democratic system has been a source of great pride for most Indians. Indian nationalists like to boast that Indians won universal suffrage on independence in 1947, years before many African Americans could vote freely in the United States. But in recent months, revelations about rampant corruption and dysfunction in the government have begun to erode that sense of self-esteem. Once revered for his competence and personal integrity, Prime Minister Singh has become a figure of ridicule, as many of the worst scandals have involved his own ministers and allies. National elections will be held in 2014, and it has long been assumed that if Singh's ruling Congress party manages to hold on to power, the next prime minister will be the crown prince of the Gandhi

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dynasty, Rahul Gandhi. As the party's general secretary, the 41-year-old Gandhi has significantly increased the youth membership of the party by reaching out to educated young people who lack what is usually required to enter party politics in India: personal wealth or connections.

But although he has developed into an able political operator, Gandhi has yet to articulate a vision of the country's future. Nor does he seem particularly interested in transforming its dysfunctional political system. Rather, his appeal rests mostly on a promise to enlarge the system, to make its perks and patronage networks more accessible to people who have traditionally been left out of the old boys' club of Indian politics. Nevertheless, Gandhi's efforts to enlarge the Congress party's base have failed to deliver votes. In early March, the party suffered a devastating defeat in local elections in India's largest state, Uttar Pradesh, casting doubt on Gandhi's national appeal.

Of course, Gandhi is hardly alone in lacking vision. Today, no Indian politician or political party inspires public confidence, as the task of governance recedes amid the ceaseless campaigning and electoral machinations that consume the country's political classes. The sociologist Ashis Nandy, one of India's most respected public intellectuals, recently lamented in an interview that India's democracy has devolved into a "psephocracy"—a system "totally dominated by electoral victories and defeats," as he defined it. "The moment you enter office, you begin to think of the next election."

The resulting paralysis is one reason India's rulers have been unable to make progress on the violent domestic conflicts that have cost thousands of lives and hundreds of millions of dollars: the occupation of disputed Kashmir, the insurgencies in the northeast, and the Maoist-led rebellion across the forests of central India. Nor have they been able to overhaul the country's crumbling infrastructure, increase its agricultural productivity, expand health care to its most vulnerable citizens, or reform its brutal police departments and inefficient criminal-justice system.

Beneath all those crises is the growing gap between India's haves and have-nots. Today, even the world's most advanced democracies are struggling to address the increasing inequality that imperils social cohesion and effective governance. But unlike the United States and the countries of Europe, India is still enjoying high rates of economic growth: seven percent annually, as of last year. India has the opportunity to spread the benefits of that growth before it is too late.

On the night of August 15, 1947, when India won its independence, Nehru gave a speech casting the country's mission as a struggle "to bring freedom and opportunity to the common man, to the peasants and workers of India; to fight and end poverty and ignorance and disease; to build up a prosperous, democratic and progressive nation, and to create social, economic and political institutions which will ensure justice and fullness of life to every man and woman." The economic and political reforms that could bring today's capitalist India closer to that ideal would no doubt differ significantly from the socialist path Nehru would have chosen. But his words still serve as an apt reminder of just how unfulfilled the promise of India remains.

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Response

Tough Talk Is Cheap

Washington's Real Options in Islamabad

Don't Lose Pakistan

ALEXANDER EVANS

The estrangement between the United States and Pakistan is deepening, and it threatens the interests of both countries. After 25 Pakistani soldiers were killed in a cross-border incident involving NATO forces in November, a furious Pakistan reduced its cooperation with the United States to a bare minimum. It even closed its borders to convoys taking supplies to NATO troops in Afghanistan.

Although Washington continues to acknowledge the importance of the bilateral relationship, it, too, seems to have little appetite left for engaging Islamabad. Stephen Krasner ("Talking Tough to Pakistan," January/February 2012), director of policy planning at the U.S. State Department in 2005–7, argues that "the only way the United States can actually get what it wants out of Pakistan is to make credible threats to retaliate if Pakistan does not comply with U.S. demands," including through malign neglect or active isolation.

Krasner seems to assume that the United States has options when it comes to Pakistan today and that the Obama administration could manage the consequences of taking a tougher line. But the reality is that for the moment at least, Washington is highly constrained and the repercussions of a major falling-out would be too disastrous to countenance.

That is because the United States currently relies heavily on the land route through Pakistan to supply its troops in Afghanistan, and this need will not disappear in the next year. With the route now closed, supplies are piling up in Karachi. U.S. troops need those goods. As the number of U.S. troops in Afghanistan falls, of course, a wider array of policy options will open up. Even then, however, President Barack Obama might not have the levers he expects. After all, the United States has tried almost every tactic with Pakistan before—and none of them have worked. A series of now-declassified National Security

Council, State Department, and CIA papers from between 1959 and 1990 show just how thoughtful Pakistan policy was in the past and how frustrated U.S. policymakers remained nonetheless.

The United States first sought Pakistan's support against the Soviet Union during the 1950s, only to conclude in 1965 that "it has become increasingly clear that Pakistan's chief aim in aligning with the West was to gain support against India," as one State Department memo put it. Another memo from the State Department to the CIA listed all the ways Pakistan had fallen short of U.S. expectations.

In 1971, the Nixon administration debated cutting off aid but did not because it believed it needed to keep Pakistan on its side during the Cold War. Nixon's continuing limited support of Pakistan yielded no great benefits, but Pakistan did play an important role behind the scenes in opening U.S.-Chinese relations.

In 1979, the United States cut off aid entirely due to concerns about Pakistan's burgeoning nuclear program and tried its hand at sanctions. Applied only briefly, those sanctions did little to advance U.S. interests. Pakistan was already committed to pursuing a nuclear program, and its distrust of U.S. intentions drove the countries even further apart. The December 1979 Soviet invasion of Afghanistan changed Washington's priorities. The aid tap was quickly turned back on in return for Pakistan's help in training the mujahideen to fight the Communists.

Then came the 1990s. A deep chill set in after Pakistan tested a nuclear weapon in 1998. Islamabad, like New Delhi, which had tested a fusion weapon the same year, was now subject to fresh U.S. sanctions. That decade had already seen a cooler relationship following the end of the Cold War, and U.S. policies disconnected a generation of Pakistani military officers from their American counterparts. In the process, the United States lost several opportunities to encourage Pakistani democracy.

Finally, as the Bush administration's blanket support for General Pervez Musharraf's regime after 9/11 demonstrated, working with the generals alone proved to be no solution, either. Pakistan's army might be a competent institution, but part of the challenge in U.S.-Pakistani relations is Pakistan's posture toward India, which the army itself determines. Washington is not able to change that, and cutting ties with the army altogether would only inflame Pakistani nationalism.

Now, Washington is frustrated with Pakistan because once again, wooing it has not worked. If history is any guide, Krasner's threats wouldn't, either. As in the 1990s, tough talk could push Pakistan further away, making its already nationalist elite even less cooperative. An angry, isolated Pakistan could undermine the drawdown of U.S. troops in Afghanistan and Washington's efforts to forge a new consensus on regional security. As long as NATO forces depend on Pakistan's supply line, Washington will need to maintain a functioning relationship with Islamabad.

Even after the drawdown, it will make sense to stay polite. As history has shown, U.S.-Pakistani relations have been repeatedly mugged by events. Two episodes from 2011 are just the latest examples: the Raymond Davis affair, in which a CIA contractor killed two men in Lahore, and "Memogate," the uproar over a murky letter purportedly from senior Pakistani politicians to Admiral Mike Mullen, then chairman of the Joint Chiefs of Staff, asking for the United States' help in reducing the military's influence over the government. Whether a diplomatic crisis, a terrorist attack, a nuclear showdown, or even an opportunity to forge peace in Afghanistan, surprises require direct lines of communication for their management. If the United States lets things with Pakistan deteriorate too far, the administration could find itself boxed in, particularly if Pakistan decides to be deliberately uncooperative.

Without Islamabad, Washington would have little ability to protect its other interests in South Asia, which include regional stability, security, and development. And advocates of actively isolating Pakistan need only reflect on the country's international ties. It enjoys good relations with China and Saudi Arabia, even if neither partner is quite as giving as the Pakistanis suggest, and has close ties to Malaysia, Oman, Turkey, and the United Arab Emirates. Thus, were Washington to cut it off, Islamabad would likely find itself with less financial assistance but no shortage of friends.

Richard Holbrooke, the late U.S. special envoy for Afghanistan and Pakistan, invested time in building relationships with senior Pakistani officials. He was diplomatically dexterous and could warn as well as woo. He showed that the United States could be tough with Pakistan, as long as Washington also had a credible, sustained relationship with senior Pakistanis. The Afghanistan-Pakistan Transit Trade Agreement, a deal that was signed in October 2010, will strengthen trade and trust between those two countries. It was nurtured through Holbrooke's active diplomacy with both Pakistani civilians and Pakistan's military. Holbrooke also understood that it is necessary to engage both top military officials in Pakistan, because of their outsized role in Pakistani strategy and politics, and civilian politicians, because the United States should keep pushing Pakistan to democratize. This is never an easy balance, but it can be done: the United Sates must properly respect Pakistan's civilian leadership while being pragmatic about the role of its military leaders.

There is no silver bullet for improving relations between the two countries, but Washington and Islamabad do have shared interests. They both want Pakistan to succeed. They both want to secure its nuclear weapons, maintain regional stability in South Asia, and moderate the extremism that lurks within Pakistani society. The overlaps may not easily translate into joint action, but the two countries' recognition that some of their goals are complementary could be the basis for a better bilateral dialogue.

To be sure, Washington should not hand Islamabad a free pass. But it should use the window between now and the moment when the United States is no longer dependent on the Pakistan–Afghanistan supply line to restructure their bilateral relations. An open discussion of what the relationship could look like in the future could focus minds in Islamabad. Public threats, however, run the risk of pushing Pakistan further away and making core U.S. interests even harder to defend.

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Krasner Replies

The United States cannot succeed in Afghanistan without Pakistan's genuine cooperation. And Pakistan will not cooperate unless the United States credibly threatens to isolate and sanction it if it does not. Such warnings will work only if it is clear to all that the United States would be better off carrying out these threats than continuing to tolerate the status quo. Clarity requires that the United States make three things obvious: the United States does not need Pakistan's land route to supply its troops in Afghanistan, Pakistan would not be able to effectively retaliate if the United States did cut ties, and U.S. sanctions would not affect Pakistan's domestic stability in any predictable way.

Alexander Evans rejects this argument for several reasons. First, he contends that the International Security Assistance Force's need to use the land route through Pakistan to supply its troops "will not disappear in the next year." He is correct if troop levels stay steady at 120,000. But a drawdown is under way, with the United States moving to a leaner counterterrorism strategy, which requires fewer troops. Besides, almost 60 percent of

NATO supplies already come through Central Asia. Sooner than Evans expects, the United States could sustain its soldiers in Afghanistan without Pakistan's help.

Evans also notes that putting pressure on Pakistan has not worked in the past. That is true. But in those cases, it was not in Pakistan's interest to fold. The clearest example is the failure of U.S. sanctions to disrupt Pakistan's nuclear program. Nuclear weapons work for Pakistan: they are a deterrent against a much larger and stronger India. Islamabad's arsenal has left India with no good military options to respond to Pakistani-supported terrorist attacks. Nothing the United States could do would change that.

Evans assumes that Pakistan could rely on its regional allies, namely, China and Saudi Arabia, if the United States tried to isolate and sanction it. Pakistani leaders would not share this assumption. Saudi Arabia is dependent on U.S. security guarantees and would be loath to alienate the United States. And although Pakistan does mean something to China, it does not mean that much: Beijing might find a close alliance with another pariah unattractive.

Finally, Evans maintains that Washington needs to keep open good lines of communication with Islamabad, both because their relationship is fraught with surprise and because they share interests, including securing Pakistan's nuclear weapons, maintaining regional stability, and countering extremism. In fact, the two countries do not share these goals. To deter Indian retaliation against low-level attacks, Pakistan's nuclear posture "leaves something to chance," as the game theorist Thomas Schelling would say. The more India worries that Pakistan's dispersed arsenal and weak command-and-control structure could cause something to go awry, the less likely it is to attack.

The United States' and Pakistan's interests are not aligned when it comes to Islamic extremism and transnational terrorism, either. Pakistan's military supports groups that have carried out attacks in Afghanistan and India. It did not adopt such policies in a fit of absent-mindedness. Terrorism has kept New Delhi off balance, and by undermining the NATO mission in Afghanistan, it might give Islamabad more influence in Kabul, as well.

The sorry state of U.S.-Pakistani relations is not the result of communication failures. (Would it have been wise to inform Pakistan in April 2011 about the impending raid on Osama bin Laden's compound?) Pakistani leaders have their own interests. The United States cannot change that. What it can change, however, is their behavior. If the United States credibly threatens to treat Pakistan as it does Iran, Pakistan's leaders would find it best to cooperate in Afghanistan.

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Recent Books on International Relations

Political and Legal

G. JOHN IKENBERRY

Liberal Peace: Selected Essays. BY MICHAEL W. DOYLE. Routledge, 2011, 248 pp. $160.00 (paper, $34.95).

Doyle is best known for his seminal essays on democratic peace theory, which have shaped debates about liberalism and war for an entire generation of scholars. Readers will not find a better guide to liberal internationalism and its theoretical rivals than this collection of his writings from the past three decades. Doyle's primary insight is that relations between liberal democracies tend to be peaceful and that this "separate peace" has provided a foundation for alliances such as NATO and other forms of international cooperation. But Doyle also recognizes that liberal states have not refrained from fighting wars with nonliberal states and have even exhibited a form of international "imprudence"—for example, during the European colonial wars and in American military interventions during the last century. Several of the essays contrast the classical ideas of liberalism in the writings of Kant, Smith, Locke, Rousseau, and others with the realist alternatives lurking in the shadows of Thucydides. Others explore how the end of the Cold War afforded the United States and other democracies opportunities to strengthen and expand the "international liberal community" and make it the centerpiece of global order. But considering the legacy of George W. Bush's "freedom agenda," Doyle concludes that forcible democratization is wrong and self-defeating.

Every Nation for Itself: Winners and Losers in a G-Zero World. BY IAN BREMMER. Portfolio, 2012, 240 pp. $26.95.

"For the first time in seven decades, we live in a world without global leadership," Bremmer writes, unveiling a bleak portrait of a chaotic and ungoverned global order in which the G-7 countries are in decline. The United States, burdened with deficits and debt, is less willing and able to support an open and stable system or to play the role of global policeman. Europe and Japan are also struggling and losing the ability to support an American-led order. Rising non-Western states, such as Brazil, China, and India, are gaining ground and seeking more influence in global affairs, but they are still seized with the problems of development and cannot lead. At the same time, the world is increasingly buffeted by "problems without borders," such as weapons proliferation and global warming. In spite of this disarray in global governance, Bremmer does not foresee traditional conflicts between great powers in the coming era. He hints at the likelihood of growing trade protectionism but expects great powers to clash more often in cyberspace than in conventional military and geopolitical arenas.

Power, Inc.: The Epic Rivalry Between Big Business and Government—and the Reckoning That Lies Ahead. BY DAVID ROTHKOPF. Farrar, Straus and Giroux, 2012, 448 pp. $30.00.

Rothkopf's sprawling book narrates the centuries-long tug of war between private commercial interests and public purpose, from the age of Adam Smith through the rise of the modern-era multinational corporation. Rothkopf's chief concern is that the balance between the state and the market has been lost in the United States and the wider liberal democratic world. Beginning in the 1980s, the Washington consensus and the neoliberal emphasis on open markets and deregulation have led to crises and instability, undermining the legitimacy of American power and putting many societies at risk. As the world economy has rapidly globalized and the state has retreated from the market, Western governments have lost the ability to fulfill their obligations to citizens. These changes have transformed the global system into a realm of weakened states and super-empowered elites, in which the world's richest 1,000 people collectively control assets that are equivalent to those held by the two billion poorest. This is a world out of balance. If Rothkopf's history is a guide, increasingly complex power struggles will play out in the decades ahead within and between states, regions, and corporations.

Taming Globalization: International Law, the U.S. Constitution, and the New World Order. BY JULIAN KU AND JOHN YOO. Oxford University Press, 2012, 280 pp. $35.00.

These two conservative legal scholars worry that globalization threatens to undermine American political and legal institutions. As economic interdependence has intensified, so, too, have efforts by the United States and other governments to manage and regulate it, leading to an unprecedented growth of international agreements, treaties, and organizations. Although various schools of legal scholarship embrace the idea that international law and institutions will and should play a larger role in American domestic lawmaking, Ku and Yoo seek to defend the sovereign authority of constitutional government. Their book suggests a set of doctrines for U.S. political leaders hoping to resist the encroachments of international law, including "non-self-execution," which holds that international treaties and other international agreements have the force of law only if Congress acts to implement them. Perhaps the most controversial idea the authors advance is a version of legal federalism that would give individual U.S. states the authority to interpret and implement—or ignore—international law. Many readers will likely question whether such approaches would ultimately strengthen popular sovereignty and the rule of law or, in fact, weaken them.

Universal Rights Down to Earth. BY RICHARD THOMPSON FORD. Norton, 2011, 160 pp. $22.95.

When the Declaration of the Rights of Man was adopted by the French National

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Constituent Assembly in 1789, the British parliamentarian Edmund Burke skeptically responded, "What is the use of discussing a man's abstract right to food or medicine? The question is upon the method of procuring and administering them." In this spirit, Ford argues that human rights are best advanced when they are "brought down to earth" and turned into steady, pragmatic efforts to tackle injustice in specific political settings. The book is most impressive in its characterization of the ideas and politics that motivate the loosely organized global human rights movement, which pursues many causes but has not offered a unified, coherent vision of a world governed by international law. Still, Ford believes that the collective efforts of many individual human rights groups have encouraged an increasingly universal belief that no government should be permitted to torture its citizens, suppress dissent, victimize women, or persecute religious minorities. Ford's message is that the political effectiveness of this global movement ultimately hinges on the ability of activists to work with local institutions to fashion reforms that address the real-world aspirations of citizens.

No One's World: The West, the Rising Rest, and the Coming Global Turn. BY CHARLES A. KUPCHAN. Oxford University Press, 2012, 272 pp. $27.95.

Kupchan refreshingly avoids the parochialism that has defined recent debates over American decline. He writes about a world in which the United States makes its foreign policy—not a world that the United States supposedly still makes. In his view, rising powers are not neatly integrating into a U.S.-dominated world, as if taking their places "on offer" from the United States. He also argues that the changing world order is marked more by a broad diffusion of power than by a classical transition from one great power (the United States) to another (China). The result is not a twenty-first-century version of nineteenth-century multipolarity but a mosaic of "multiple modernities" rooted in distinct histories and political models. Kupchan is rightfully concerned that uncertain power balances, contested authority, and divergent national interests could produce conflict. Still, he believes that the United States should now be less intent on shaping the world and more focused on adapting to it, in part by being more open to others' ideas about what constitutes an optimal international order. Moving beyond scholarly debates and election-season paeans to American exceptionalism, Kupchan urges readers to see the world as it is becoming, not how it used to be or how they might like it to be.

BRUCE W. JENTLESON

Economic, Social, and Environmental

RICHARD N. COOPER

Sustaining China's Economic Growth After the Global Financial Crisis. BY NICHOLAS R. LARDY. Peterson Institute for International Economics, 2012, 181 pp. $21.95.

China's leaders agree with the consensus view of outside observers: achieving sustainable growth will require redirecting the country's economy toward consumption and away from exports and investment. That goal is reflected in China's latest five-year plan (2011–15), as it was in the previous plan. But Lardy, one of the foremost foreign scholars of the Chinese economy, laments how little progress China has actually made toward that objective. China's government, he argues, must raise domestic interest rates, allow its currency to appreciate, raise energy prices (which are still partially controlled) so that they are closer to global market levels, and finance its impressive, ongoing expansion of the social safety net by directing its profitable state-owned enterprises to pay higher dividends. None of these recommendations is new, but Lardy places them in a coherent and persuasive framework. He speculates that China has yet to take the necessary steps because powerful interest groups benefit from current policies and have strongly and so far successfully resisted significant change. If there is a constructive role for a dominating Communist Party in contemporary China, it is to place the public interest above special interests and push through vital reforms.

Superfuel: Thorium, the Green Energy Source for the Future. BY RICHARD MARTIN. Palgrave Macmillan, 2012, 272 pp. $27.00.

Last year's tsunami-induced nuclear disaster in Fukushima, Japan, raised concerns about the safety of high-pressure water-cooled nuclear reactors and cast doubt on the future of nuclear power. Uranium-fueled reactors such as the ones at Fukushima pose a number of problems, including the risky disposal of radioactive waste. According to Martin, thorium is a far superior reactor fuel because it is less radioactive and more abundant than uranium and also produces much less waste. This thorough book details the history of research into thorium reactors. In the 1960s, the United States developed an experimental thorium reactor at the Oak Ridge National Laboratory, but the Nixon administration later abandoned the project for budgetary and bureaucratic reasons. Today, the governments of China, India, and Japan are developing thorium reactors, as are private-sector players in South Africa and the United Kingdom. Martin urges the United States to get back into the action, since in his view thorium offers the ideal material for satisfying the world's burgeoning demand for electricity without relying on fossil fuels.

The Money Laundry: Regulating Criminal Finance in the Global Economy. BY J. C. SHARMAN. Cornell University Press, 2011, 216 pp. $29.95.

The G-7 summit of 1989 established a global system of rules and regulations to prevent money laundering. Sadly, there is no compelling evidence that more than two decades of multilateral cooperation have stymied money laundering or reduced the prevalence of the other crimes it supports, such as drug trafficking and terrorism financing. Sharman boldly tested the international anti-money-laundering rules by breaking them, setting up shell companies and bank accounts without providing the kinds of documentation required by law. This proved easier to do in the United States and other rich countries than in well-known offshore financial havens, such as the Cayman Islands and Panama. But if the rules are so demonstrably ineffective, why have so many countries implemented them, often at considerable expense? Sharman's answer is that countries fear that if they fail to do so, the Organization for Economic Cooperation and Development's Financial Action Task Force will effectively blacklist them, making it difficult for them to conduct transactions with the world's leading banks. The evidence suggests that the U.S. federal government ought to apply a similar form of soft coercion to some U.S. states, such as Nevada and Wyoming, where it is all too easy to break the international rules and get away with it.

How to Fix Copyright. BY WILLIAM PATRY. Oxford University Press, 2011, 336 pp. $21.95.

The U.S. Constitution empowers Congress to promote the "useful Arts" by giving authors the exclusive rights to their works for a limited time. But the evidence is slim to nonexistent that current copyright provisions actually encourage the useful arts. Most copyrights are owned by monopolistic gatekeepers, such as publishing houses, movie studios, and record labels: well-financed rent seekers that try to limit the royalties due to artists. Patry, a copyright lawyer, mounts an aggressive attack not on the principle of copyright but on the system as it exists today in the United States and also in Europe, where lawmakers bizarrely justify outdated copyright rules as a means of preserving European culture. Patry argues that recent advances in digital technology require a fundamental reexamination of the entire system of copyright. For example, 97 percent of all books published more than 28 years ago are now out of print and inaccessible to the public except through libraries, which are often not close at hand. To his mind, those works should be available online, preferably in the public domain. Although Patry does not say so explicitly, his persuasive arguments suggest that even the "piracy" of copyrighted material often results in more public good than harm.

Disease Eradication in the Twenty-first Century: Implications for Global Health. EDITED BY STEPHEN L. COCHI AND WALTER R. DOWDLE. MIT Press, 2011, 408 pp. $38.00.

One of the great achievements of the twentieth century was the eradication of the perennial scourge of smallpox. Building on that success, scientists have attempted to eradicate other diseases. This volume is a collection of conference papers written mainly for professionals engaged in the complex, multidisciplinary process of disease eradication, which requires the cooperation of thousands of people, including practitioners in small clinics all over the world. The benefits of this laudable decades-long effort are undeniable: endemic measles and rubella have been eliminated from the Western Hemisphere, and researchers in Africa have made important strides against river blindness, a disease caused by a parasitic worm. Of course, frustrating challenges remain. Scientists have long sought to dramatically reduce malaria, but effective countermeasures have proved elusive. Polio, the principal health anxiety of American parents in the mid-twentieth century, had until recently disappeared from all but four countries, down from 119 in 1985. But the virus is now spreading again, aided by today's massive migrations of people.

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Military, Scientific, and Technological

LAWRENCE D. FREEDMAN

Find, Fix, Finish: Inside the Counterterrorism Campaigns That Killed bin Laden and Devastated al Qaeda. BY AKI PERITZ AND ERIC ROSENBACH. PublicAffairs, 2012, 320 pp. $27.99.
Hunting in the Shadows: The Pursuit of al Qa'ida Since 9/11. BY SETH G. JONES. Norton, 2012, 448 pp. $27.95.

These two books tell the story of the United States' struggle against terrorism from 9/11 to the death of Osama bin Laden, concentrating on the intelligence and police operations that led to the capture or killing of a collection of true believers and naive fantasists who sought to kill as many Westerners as possible. The jihadists profiled in these books seem motivated more by a lust for vengeance than by a desire to create a new political order founded on Islam. Authorities thwarted most of their plots, and some would-be terrorists failed on account of their own incompetence, such as the hapless "shoe bomber" and "underwear bomber." Both books argue for the importance of intelligence and police work and warn against the folly of casting counterterrorism as a military activity.

Peritz and Rosenbach provide more context, delving into the now-familiar difficulties experts faced in persuading the U.S. government to take the al Qaeda threat seriously before 9/11 and examining the problems created by the post-9/11 counterterrorism overdrive. They reveal that the main challenge now is identifying and locating terrorists; once this is done, contemporary technologies make it relatively easy to "finish" them. Yet they note that this seemingly straightforward process is complicated by ethical and legal dilemmas when intelligence is obtained by torture and killings are carried out by drones. Such means create awkward precedents and possibly encourage more terrorism, especially when innocents are killed.

Jones' book is more in-depth, analyzing particular al Qaeda attacks in great detail. Jones sketches three waves of al Qaeda violence. The first began with the attacks on U.S. embassies in East Africa in 1998 and peaked on 9/11. The second took place in two regions: in Iraq after the 2003 U.S. invasion and in Europe, which witnessed a surge in jihadist activity at around the same time. This second wave was reversed by improved intelligence work and by an anti-jihadist backlash in Iraq. A third, less dramatic wave developed in the Arabian Peninsula beginning in 2007 with the emergence of an al Qaeda affiliate based in Yemen and ending in 2011 with the killing of key leaders, including bin Laden. Despite bin Laden's death, Jones does not preclude the emergence of a fourth wave; the anger and ideological fervor that animate jihadist terrorism are still prevalent.

The Taste of War: World War II and the Battle for Food. BY LIZZIE COLLINGHAM. Penguin Press, 2012, 656 pp. $36.00.

It is hard to think of any serious new angles on World War II, but Collingham has done so by considering the importance of food in sustaining the war effort and shaping strategy. During the war, U.S. soldiers were fed well, whereas the

Japanese were expected to survive on spiritual nourishment. The British system of rationing not only avoided starvation but helped sustain national solidarity. Collingham's achievement is to reveal the interaction of warfare and agricultural economics, depicting the desperation of the hungry and the casual cruelty of occupation. Of particular note is her treatment of the Nazi leader Herbert Backe's Hunger Plan, which German leaders used to justify their invasion of Russia on the assumption that Russian land could be used to feed German soldiers while the locals starved. Although this is a thoroughly researched and consistently informative book, Collingham at times exaggerates the impact of food on the war, overemphasizing its ability to explain events and underestimating the influence of other practical factors, such as oil supplies, and harder-to-quantify variables, such as the power of ideology.

The Wounded Giant: America's Armed Forces in an Age of Austerity. BY MICHAEL O'HANLON. Penguin Press, 2011, 256 pp. $9.95.

After benefiting from a decadelong binge of military spending and having learned painful lessons in Afghanistan and Iraq, the U.S. armed forces can claim to be better than ever. Given the urgent need to cut the deficit, it should therefore be possible to scale back military spending without damaging national security. O'Hanlon, a leading specialist on military budgets, argues that cuts can be made but should not be too drastic and should not usher in a disengaged foreign policy. China and Russia must be made to understand that the United States will continue to take its security commitments seriously. Meanwhile, the U.S. military must make preparations for potentially dire contingencies in Iran and North Korea without losing sight of its new appreciation for the difficulty of counterinsurgency and state building. Arguments like O'Hanlon's seem to be reaching policymakers: in January, President Barack Obama announced that the focus of U.S. security strategy would begin to shift away from Europe and the Middle East and toward Asia and the Pacific, and the Pentagon already seems to have accepted the logic of shrinking ground forces.

A Perpetual Menace: Nuclear Weapons and International Order. BY WILLIAM WALKER. Routledge, 2011, 240 pp. $145.00 (paper, $39.95).

It seems likely that humanity will be stuck in the nuclear age for some time to come. But will we survive it? Seven decades since the development of nuclear weapons began in earnest, their use has been confined to the U.S. bombing of Hiroshima and Nagasaki in August 1945. But there have been close calls since then. Meanwhile, remedies such as world government or complete disarmament seem ever more unlikely or utopian. Survival has come to depend on a messy concoction of self-restraint and normative limits, reinforced by a shared instinct for self-preservation. In a subtle analysis of the history of the nuclear order, Walker charts the stresses and strains to which the system has been subjected. Most recently, the main challenge has come from broad power shifts in the international system and the acquisition of nuclear weapons by unstable states. Walker considers measures to shore up the system, such as reforming the Nuclear Nonproliferation Treaty.

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Yet his basic conclusion is that states will have little choice but to continue to "muddle through."

All In: The Education of General David Petraeus. BY PAULA BROADWELL WITH VERNON LOEB. Penguin Press, 2012, 352 pp. $29.95.

General David Petraeus is arguably the most consequential U.S. military leader since World War II. Broadwell's excellent biography portrays him as a modern exemplar of the soldier-scholar-statesman and one who has exerted a profound influence on the American military establishment. Granted extensive access to the general and his subordinates over a prolonged period, Broadwell has responded with an in-depth examination of Petraeus' remarkable rise in the U.S. Army and of his impact not only on the conduct of the wars in Afghanistan and Iraq but also on a new generation of military officers, on whom he has left an indelible mark. Broadwell provides an inside look at Petraeus' interactions with his subordinates and his counterparts in countries allied with the United States. She also details his skillful dealings with the U.S. Congress and the White House, demonstrating the complex workings of contemporary civil-military relations and military diplomacy. *All In* avoids the pitfall of hagiography, giving voice to critics and dissenters, some of whom claim that Petraeus' career has been more self-serving than selfless, that the Iraq surge was not the decisive turning point his advocates claim it was, and that he has been too invested in counterinsurgency to be objective about its record in Afghanistan. Regardless, Petraeus emerges from Broadwell's book as an educated, committed, competitive, driven, and inspiring figure.

MACKUBIN THOMAS OWENS

The United States

WALTER RUSSELL MEAD

Coming Apart: The State of White America, 1960–2010. BY CHARLES MURRAY. Crown Forum, 2012, 416 pp. $27.00.

For years, cultural conservatives in the United States have denounced the liberalism and loose morals of elites, contrasting them with the values of salt-of-the-earth "real Americans," whose faith and morality are the foundation of liberty. The conservative gadfly Murray makes the opposite case: lower-income, less-educated whites are increasingly unchurched, unmarried, and unemployed, whereas the upper-middle class is pious, monogamous, and hard working. *Coming Apart* has been widely criticized for attributing this social breakdown to moral causes rather than placing the plight of the white working class in the context of the economic changes of the last 30 years. Still, the picture Murray paints of a demoralized white working class living in the ruins of once-healthy social institutions is compelling and alarming. The inevitable controversy over Murray's diagnosis should not obscure the need to address the conditions he describes. Whether the root causes are economic, cultural, or a mix of the two, the erosion of social capital among working-class nonimmigrant whites is a problem that cannot be safely ignored.

The Crisis of Zionism. BY PETER BEINART. Times Books, 2012, 304 pp. $26.00.

In the name of liberal Zionism and universal human values, Beinart's slender but provocative new book launches a deeply felt attack on the policies of the current Israeli government toward the Palestinians. Along the way, Beinart examines the close relationship between President Barack Obama and the liberal wing of the Jewish community in the United States, considers the failure of the Obama administration's Israel policy, and analyzes the state of the American Jewish community at a time of assimilation and generational discord. In many ways, the book is an exercise in nostalgia: Beinart would like to re-create the unity American Jews experienced before Israel's divisive occupation of the Palestinian territories after the Six-Day War, in 1967. Beinart believes that a revival of liberal Zionism would strengthen Jewish identity among younger American Jews who are disenchanted with establishment groups such as the American Israel Public Affairs Committee (AIPAC) and B'nai B'rith. By attempting to cover so many complex and contentious themes in such a short book, Beinart leaves himself vulnerable to critics who can point to occasional slips and flaws. But the book is intended to launch a discussion, and in that it will certainly succeed.

Strategic Vision: America and the Crisis of Global Power. BY ZBIGNIEW BRZEZINSKI. Basic Books, 2012, 224 pp. $26.00.

Brzezinski is the Democratic Party's Henry Kissinger: an elder statesman whose contributions to U.S. foreign policy continue to shape debates even decades after he left government. In this crisp and stimulating book, Brzezinski speculates on the dangers that could result from the decline of the United States and offers his prescriptions to restore American leadership in a changing world. Brzezinski argues against the increasing U.S. tendency to write off Europe and concentrate on Asia. He suggests that creative American statesmanship could bring Russia and Turkey into a revived and rejuvenated West, which might help advance the kind of liberal order the United States seeks. He recommends that U.S. policy toward Asia rest on the advantages of being an offshore, maritime power, and that the main U.S. objective in Asia should be the maintenance of a balance of power, much like British policy in the eighteenth and nineteenth centuries. In the end, his message is reassuring: American decline is eminently preventable. For the United States, he argues, decline is a choice, not a fate.

The World America Made. BY ROBERT KAGAN. Knopf, 2012, 160 pp. $21.00.

As usual, Kagan's writing bristles with insights and ideas. His latest book aims to counter the view of many liberal internationalists that because the United States seeks a liberal order it must eschew traditional great-power diplomacy and power projection. Kagan believes in the value of a liberal, democratic world order and fears that anarchy and chaos will result if this order breaks down. But he argues that the order rests on U.S. military and economic power rather than on the respect that other powers have for noble American ideals. He points out that the United States has often been most successful internationally under leaders who were not particularly beloved by the rest of the world, such as Richard Nixon. In contrast, Woodrow Wilson was greeted by huge and enthusiastic crowds across Europe after World War I but was unable to capitalize on his unprecedented soft power. From Kagan's point of view, the way to preserve a U.S.-led liberal world order is to tend to the foundations of American power at home and to project that power abroad in a thoughtful and confident manner.

The Real Romney. BY MICHAEL KRANISH AND SCOTT HELMAN. Harper, 2012, 416 pp. $27.99.

This life of Willard Mitt Romney, former governor of Massachusetts and the current front-runner in the Republican presidential primary, is one of the least substantive, most unsatisfying political biographies to be published in some time. If Romney ever read a book, or was ever influenced by a writer or a thinker, or has ever told a revealing joke, or has ever expressed an opinion about events in another country, Kranish and Helman either do not know about it or chose to keep their knowledge to themselves. It seems clear that Romney did not give these biographers much access; it is also clear that they failed to work their way into his mind. Many will come to this book searching for clues about what kind of man Romney is and what kind of president he would be. But the authors do not have any answers. They fail to explore his intellectual development, his thoughts about social problems and issues, or the ways in which his religious faith has shaped him. Americans could use a thoughtful and perceptive biography of Mitt Romney; perhaps someday they will get one.

Western Europe

ANDREW MORAVCSIK

Europe's Angry Muslims: The Revolt of the Second Generation. BY ROBERT S. LEIKEN. Oxford University Press, 2011, 368 pp. $27.95.

The Emancipation of Europe's Muslims: The State's Role in Minority Integration. BY JONATHAN LAURENCE. Princeton University Press, 2012, 392 pp. $80.00 (paper, $29.95).

Like most genuine experts on the subject, Leiken rejects the notion spread by journalists and pundits that significant numbers of European Muslims are "Islamofascists" and that European policy toward Islam is a blanket failure. Instead, in Leiken's view, the success of national policies intended to integrate second-generation Muslim immigrants varies greatly. The question is why. Ironically, uncritical official tolerance has bred conflict. The British government embraced multiculturalism, encouraging Muslims to form separate enclaves, some of which fostered hostile extremism and even terrorism. France rejected multiculturalism, encouraging Muslims to assimilate. Less terrorism ensued, and the riots in recent years involving young French Muslims have had little to do with Islam or jihad and instead have been responses to unequal access to education and employment. Germany, to which Leiken pays less attention, lies somewhere in the middle. A less experienced observer might be tempted to draw specific policy lessons from this pattern, but Leiken rightly recognizes the importance of factors that are beyond government control: divergent domestic political cultures, the legacies of imperial rule, and the beliefs and attitudes immigrants bring with them from their home countries.

Laurence is more optimistic. His book is perhaps the subtlest and most solidly researched analysis of European policies toward Islam. He argues that until the mid-1990s, European governments excluded Islamic groups from domestic politics, with the result that such groups were captured by foreign governments and movements with radical agendas. Thereafter, European governments began "domesticating" Muslim communities by regulating them and incorporating their leaders into Islamic councils and state decision-making bodies in exchange for recognition of the legitimacy of the state. This was not appeasement, as critics have charged, but a bargain between state and church, not unlike those that European states struck with Jewish, Catholic, and Protestant communities in centuries past. Current trends suggest that among Muslim immigrants, these policies are leading to lower birthrates, accelerated citizenship, reduced religiosity, greater support for political institutions, and a more diverse civil society. It is too early to know whether this will defuse the cycle of exclusion and violence entirely, but Laurence establishes firm ground for hope.

Sexuality in Europe: A Twentieth-Century History. BY DAGMAR HERZOG. Cambridge University Press, 2011, 238 pp. $85.00 (paper, $27.99).

In this fascinating history, Herzog narrates Europe's twentieth-century sexual revolution, citing two decisive causes of change: contraception and pornography. In 1900, only a few courageous activists advocated birth control, an idea rejected by a uniformly hostile public. The ironic result was that political and social authorities glorified brothels as necessary, even family-friendly outlets for frustrated husbands and portrayed prostitutes as naturally more sexually desirable than wives. Through the middle of the century, not only fascists but also conservative democrats blocked access to birth control and discouraged a wider acceptance of pornography. Not until the 1960s did the pill and pornography become widely available. New erotic roles for women, gay people, and others emerged. This was not, Herzog argues, primarily the work of New Left activists but rather the consequence of capitalism, which eroticized advertising, clothing, and popular culture. Ultimately, the tensions between commerce and legal repression grew too great, giving rise to more liberal policies. Yet these battles are not over, even in Europe, where religious and political opposition to contemporary sexual mores are still evident.

The European Union and Its Crises: Through the Eyes of the Brussels Elite. BY GEORGE ROSS. Palgrave Macmillan, 2011, 224 pp. $85.00.

Populist politicians and tabloids in Europe have long spread the view that EU officials are impractical, self-aggrandizing, dogmatically centralizing technocrats. Ross counters with a refreshingly empirical corrective to that myth. Extensive interviews with EU officials reveal a modest and pragmatic mindset. They view the EU as an intergovernmental institution dominated by the wills of its member states. Market reform and enlargement

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are needed to revitalize Europe, but officials recognize that recent EU efforts in this regard—the so-called Lisbon agenda and the admission of 12 new member states—have triggered unexpected problems and public skepticism. Still, most officials reasonably view the legitimacy crisis of the EU mostly as a function of the declining popularity of national governments themselves. True, until the recent financial crisis, Brussels' elites tended to treat the single European financial market and the euro as successful and stable. Yet in this, they were hardly being more myopic than most business leaders and politicians in the rest of the continent.

School Wars: The Battle for Britain's Education. BY MELISSA BENN. Verso, 2011, 256 pp. $19.95.

Like many other Western countries, the United Kingdom is experiencing a trend toward privatization and fragmentation in education. In this short book, which has sparked considerable debate in the United Kingdom, Benn documents the expansion of private and semi-private schools that benefit from tax-exempt status and subsidies yet are disproportionately populated by the children of the wealthy. These schools tend to exclude physically, mentally, socially, or emotionally challenged students, while receiving greater per capita resources. As in Sweden, the United States, and other countries, the spread of such schools has had the net effect of increasing social inequality and undermining overall national educational achievement. Benn contrasts this with the experience of countries that have maintained the most uniform and universal systems—such as Canada, Finland, and South Korea—and, as a result, continue to top global measurements of national educational performance. Benn makes the case for a recommitment to a well-funded, nearly universal system of "comprehensive" neighborhood schools. Yet it is difficult to imagine how such an option will attract sufficient political support when inequality continues to increase in most Western democracies, strengthening the powerful special interests arrayed against reform.

Western Hemisphere

RICHARD FEINBERG

Mexico: A Middle Class Society; Poor No More, Developed Not Yet. BY LUIS DE LA CALLE AND LUIS RUBIO. Woodrow Wilson International Center for Scholars, 2012, 95 pp. Free online.

Forget the alarming mass-media images of a crime-ridden, poverty-stricken Mexico. In this highly readable monograph, two of Mexico's leading public intellectuals identify the country's expanding, prosperous middle class—similar in many ways to its counterparts in other emerging-market economies or, for that matter, in the United States—as the dominant factor in a paradigm shift that is transforming modern Mexico for the better. Behind this fortuitous trend are steady, if modest, economic growth rates, more open and competitive markets, and the smaller families that result from sharply declining fertility rates. De la Calle and Rubio employ an admittedly elastic culture-

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based definition of "middle class": families that believe that a better future is possible and see education as the best means to upward social mobility. Such a classification based on individuals' aspirations will sit more comfortably with marketing firms and pollsters than with social scientists, who favor traditional metrics of income and wealth. But savvy companies and politicians who appeal to this burgeoning middle class will crush competitors still adhering to outdated mythologies.

Latin Lessons: How South America Stopped Listening to the United States and Started Prospering. BY HAL WEITZMAN. Wiley, 2012, 288 pp. $25.95.

Leftist Governments in Latin America: Successes and Shortcomings. EDITED BY KURT WEYLAND, RAÚL L. MADRID, AND WENDY HUNTER. Cambridge University Press, 2010, 232 pp. $89.00 (paper, $26.99).

Not every journalist who spends time overseas should write a policy book. From 2004 to 2007, Weitzman was the *Financial Times*' correspondent for the Andean region, based in Lima, Peru—a country on a continent that he had never before visited. Weitzman's well-written, colorful stories of indigenous protests against plundering multinational resource companies illuminate the appeal of leftist populists such as Hugo Chávez in Venezuela, Evo Morales in Bolivia, and Rafael Correa in Ecuador. But Weitzman conflates these Andean outliers with all of South America, which in fact is typified by more temperate, realistic governments. Most disconcerting, Weitzman begins by sympathetically portraying the Andean leftist populists and excusing their resource nationalism and state interventionism, then suddenly shifts to condemning their profligate economics and confrontational politics. Weitzman seems to have changed his mind on discovering that Chávez has stoked anti-Semitism to fuel social division. Weitzman ritualistically lambasts U.S. diplomacy for not paying more attention to Latin America and for being overbearing when it does. But he fails to prescribe a coherent strategy for addressing the challenge posed by astute leftist populists.

The social scientists assembled in *Leftist Governments in Latin America* distinguish sharply between the moderate, pragmatic leftist governments of Brazil and Chile and the bolder "contestatory" ones of Bolivia and Venezuela. Noting that none of these regimes is nearly as radical as the earlier Marxist-inspired state socialisms of Cuba under Fidel Castro or Chile under Salvador Allende, the editors consider the core dilemma of the modern left: the tension between ambition and realism in an era of globalization. Chávez and Morales can act on their ambitions because they came to power in states with brittle institutions yet rich in natural resources at a time of high commodity prices. Ruling leftists in Brazil and Chile have been constrained by stronger political institutions and by the relative success of market-oriented economic reforms. This study thoughtfully examines not only its subjects' intentions but also their performance. Its findings are unambiguous: "the moderate left has performed better in economic, social, and political terms than the contestatory left, especially in a long-term perspective."

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The New Banks in Town: Chinese Finance in Latin America. BY KEVIN P. GALLAGHER, AMOS IRWIN, AND KATHERINE KOLESKI. Inter-American Dialogue, 2012, 37 pp. Free online.

Chinese Investment in Latin American Resources: The Good, the Bad, and the Ugly. BY BARBARA KOTSCHWAR, THEODORE H. MORAN, AND JULIA MUIR. Peterson Institute for International Economics, 2012, 36 pp. Free online.

Suddenly, China has become a major source of capital for other emerging-market economies, providing both long-term loans and direct investments to Latin America. These two timely studies document this development and assess its benefits and costs to the region. From the Latin American perspective, the badly needed capital and accompanying access to Chinese markets are clearly welcome. But certain Chinese investment practices violate hard-won international standards and demand correction.

The New Banks in Town draws on press reports and official government statements by China and its borrowers to compile a useful list of loan commitments, which the authors estimate at $75 billion since 2005—although they recognize that not all those funds will be fully disbursed. As an instrument of China's search for secure sources of energy, the loans are heavily concentrated in oil-producing states (Argentina, Brazil, Ecuador, Venezuela), and many are secured through pledges of repayment in the form of future oil shipments. Chinese loans are also tied, to varying degrees, to the purchase of Chinese-made products. The authors seem pleased that Chinese loan documents neither impose policy conditions nor "the latest Western development fads," such as good governance and gender equality laws, enabling leftist regimes "to free themselves from the neoliberal policies the World Bank imposes." However, as environmental experts, the authors are gravely concerned that Chinese banks do not follow the same environmental guidelines as their Western counterparts.

Chinese Investment in Latin American Resources directly addresses the problems of substandard Chinese corporate behavior, focusing on the mining industry in Peru. The evidence is mixed. Chinese firms have repeatedly violated labor and environmental standards, but the Chinese government is urging them to conform more closely to international standards, and there are signs that this message is getting through. The authors find that nongovernmental monitoring organizations and international bodies, such as the World Bank, can encourage foreign investors to adhere to high standards and to act as catalysts for positive change, since firms that fall short face serious reputational risks. A domestic regulatory environment that encourages transparency and accountability and that allows for civil-society participation also makes a big difference.

Castro's Secrets: The CIA and Cuba's Intelligence Machine. BY BRIAN LATELL. Palgrave Macmillan, 2012, 288 pp. $27.00.

The veracity of this book's claims hinges heavily on the credibility of defectors from Cuba's intelligence agency. Their testimonies form the rather thin thread from which Latell, a former CIA analyst, hangs his case that Fidel Castro may well have had prior knowledge of Lee Harvey Oswald's intention to kill U.S. President

John F. Kennedy. Latell's logic is as follows: Castro was supremely dangerous, vengeful, and capable of daring adventures and brilliant deception; he was well informed of Kennedy's many plots to assassinate him and had used self-defense as a justification for executing or assassinating enemies in the past; and because he micromanaged Cuban intelligence operations, he would have been aware of Oswald's visits to the Cuban mission in Mexico City a few months prior to Kennedy's murder. Latell labels the Kennedy-era covert actions against Cuba "a deliberate and massive campaign of international terrorism" but also calls Castro's alleged failure to warn the U.S. government of Oswald's intentions his "most despicable decision during his nearly five decades in power." In Latell's book, both Kennedy and Castro fare badly; a number of CIA officers who doubted the efficacy of Kennedy's anti-Castro campaigns come off better.

Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

The Man Without a Face: The Unlikely Rise of Vladimir Putin. BY MASHA GESSEN. Riverhead Books, 2012, 304 pp. $27.95.
Vladimir Putin and Russian Statecraft. BY ALLEN C. LYNCH. Potomac Books, 2011, 184 pp. $24.95.

Vladimir Putin's unsavory side commands more attention with each passing year. For Gessen, however, it is not merely a side of the man but his essence. She breathes her contempt for him into every paragraph of this book. Gessen was born in the Soviet Union, raised in the United States, and reintegrated into Russia as a skilled investigative reporter. She shines a piercing light into every dark corner of Putin's story: his self-described thuggish youth; the unsolved murders of some of his prominent critics, such as Anna Politkovskaya and Aleksandr Litvinenko; the expropriation of privately held business empires; his bumbling and insensitive response to the death of Russian sailors aboard the sunken *Kursk* submarine in 2000; and so on. Gessen has traveled to the far corners of the country and spoken with everyone who has an inside take on what happened. This makes for fascinating, hard-hitting reading but scarcely inspires a sense of scrupulous objectivity—not when in nearly every ambiguous circumstance, Gessen opts for a sinister explanation that leads back to Putin.

Lynch's account is more complete and, in the end, more convincing, partly because it focuses more on the things Putin has done skillfully, creating powerful sponsors along the way. Without giving short shrift to Putin's narrow-minded, even malicious qualities, it conveys better than any previous books about Putin the characteristics that have propelled him forward: loyalty, self-control, hard work, and insight into other people. Two observations are central to Lynch's analysis. The first is that Putin's personality and proclivities are driven by an intellectual commitment to Russia's revitalization but are also fueled by an emotional dread of disorder. The other is the yawning gap between the grim perception of him in the West and the support he enjoys at home—a gap that might be narrowing now, as a nascent opposition movement takes shape in Russia's big cities.

It Was a Long Time Ago, and It Never Happened Anyway: Russia and the Communist Past. BY DAVID SATTER. Yale University Press, 2011, 400 pp. $29.95.
Satter grapples with an elemental failing of Russia's leaders and people, while at every turn conveying the truly painful reasons it persists. Russia, he argues, refuses to face the fundamental moral depravity of its Soviet past, including its most savage manifestation: Joseph Stalin's terror. Until it does, he believes, the country cannot hope to progress. For too long, too many Russians have too easily accepted the idea that the state should enjoy primacy over the value of the individual. Yet in an expansive and brilliantly explored set of examples, Satter illustrates how many people and groups have known and exposed the truth. In an equally compelling fashion, he examines the extraordinarily tangled sentiments that have caused Russian society to hesitate before reconciling itself to the past. Many eastern European societies that did not invent the Soviet system but suffered under it are finding it difficult to agree on how to deal with those who were a part of it. Perhaps, then, it is not so hard to understand why in Russia, where the system had deeper roots, people are reluctant to start settling scores.

Bitter Choices: Loyalty and Betrayal in the Russian Conquest of the North Caucasus. BY MICHAEL KHODARKOVSKY. Cornell University Press, 2011, 224 pp. $35.00.
Tensions are once again boiling in Russia's ragged, turbulent North Caucasian frontier, as they have been on and off since the sixteenth century. Although each era of trouble has had its own characteristics, the latest always recalls the earliest, a phenomenon that has never been better conveyed than in this ingenious history as biography. To tell the story of the region, Khodarkovsky weighs the life of Semën Atarshchikov. Born in 1807 and raised a Chechen, Atarshchikov enlisted in a Cossack regiment in 1823 to serve the Russian army as a language interpreter, like his father before him. He is caught between two cultures and witnesses the barbarity of Russia's military campaigns against the peoples of the North Caucasus until his defection to the other side in 1841; his story ends with his murder in 1845 at the hands of his servant, who was intent on defecting back to the Russian side. Khodarkovsky leavens the tale with vivid details about the lives, cultures, and (often violent) fates of the different peoples in the region. One puts down this book with a much clearer sense of the challenge historically raised by this rebellious region for the Russians—a challenge that, in essence, remains today.

Militarizing Men: Gender, Conscription, and War in Post-Soviet Russia. BY MAYA EICHLER. Stanford University Press, 2011, 256 pp. $80.00 (paper, $24.95).
Historically, Russia has been a highly militarized society, its economy and society thoroughly subordinated to the needs of its military. But Eichler's focus is not the usual questions about the military's role in Russian politics and foreign policy. Borrowing from feminist theory, Eichler focuses on how militarism informs Russian definitions of masculinity, shaping gender roles and underpinning the structure of

power in society. By peeling back layers of Russian culture that Soviet authoritarianism once kept firmly in place, she explores how the collapse of the old system and the wars Russians fought in Afghanistan and Chechnya opened the way for challenges to "militarized masculinity" and the role of the military in legitimating the state. More recently, Vladimir Putin's ostentatious machismo and the public's general acceptance of Russia's post-1999 military campaign in Chechnya have given militarism a reprieve. But Eichler argues that young Russian men—and, what is especially important, their mothers—are no longer easily seduced by the state's military hagiolatry.

Peasants Under Siege: The Collectivization of Romanian Agriculture, 1949–1962. BY GAIL KLIGMAN AND KATHERINE VERDERY. Princeton University Press, 2011, 520 pp. $95.00 (paper, $35.50).

This book is the fruit of a ten-year project undertaken by two premier social anthropologists working with an international, interdisciplinary team of 19 scholars. It is a monumental effort to understand, in all its complexity, one of the most far-reaching undertakings in the history of socialism in Eastern Europe: the struggle to transform Romanian peasants into Soviet-inspired collective farmers. In a deeply traditional society, no aspect of the communist regime's social engineering was more wrenching or its implications more dramatic. The results, as the authors richly document, turned out to be far more convoluted, ironic, and layered than histories to this point have suggested. The bricks and mortar of their study are the massive data they assembled, generated from multiple, diverse sources. But the book's depth results from its thoughtful reflections on the fundamental relationships among people, property, and the state. It offers a model of how histories of this period in Eastern Europe should treat the intricacies of cause and effect, authoritarian design and bureaucratic muddling, and political power and the power of tradition.

Middle East

L. CARL BROWN

A Single Roll of the Dice: Obama's Diplomacy With Iran. BY TRITA PARSI. Yale University Press, 2012, 284 pp. $27.50.

Parsi begins in May 2003, when the Bush administration, then basking in the afterglow of its success in toppling Saddam Hussein, spurned a back-channel Iranian initiative to reach an overall settlement between Iran and the United States. He moves on to write the most incisive account available of the U.S.-Iranian diplomacy that has followed in the years since. Parsi's emphasis is on the Obama administration, which sought a reset of relations with Iran but has instead presided over a deterioration in relations. This eminently readable, sometimes gripping book also examines the Iranian side of the equation and details the roles of many others players: the EU, Russia, China, the Arab states, Turkey, and even Brazil. The multiplicity of actors occurs not just between states but within them. The pressures exerted by Congress and lobbying groups on all U.S. presidents and the tensions within the American executive branch are mirrored by equivalent divisions within the Iranian leadership, which became even more acute after the country's controversial 2009 presidential election. Nevertheless, Parsi argues that there is still a chance for diplomacy to allow the United States and Iran to break out of their "institutionalized enmity."

The Lingering Conflict: Israel, the Arabs, and the Middle East, 1948–2011. BY ITAMAR RABINOVICH. Brookings Institution Press, 2011, 308 pp. $32.95.

This book was first published in 1999 with the title *Waging Peace: Israel and the Arabs at the End of the Century*. An updated edition, *Waging Peace: Israel and the Arabs, 1948–2003*, appeared in 2004. Now, *Waging Peace* has given way to *The Lingering Conflict*, and the conflict it describes pits Israel against not just the Arabs but the entire Middle East, a reflection of the country's increasingly fraught relations with Iran and Turkey. Like the earlier editions, the latest one concentrates on the Israeli side of the story but is dispassionate and fair in appraising the attitudes and actions of others. Rabinovich, an eminent Israeli scholar and diplomat, paints a picture of the domestic and foreign policy crosscurrents confronting all the parties and inhibiting momentum toward peace. In his conclusion, he expresses a hope that Israeli Prime Minister Benjamin Netanyahu might still adopt bold new policies, as did earlier right-wing governments led by Menachem Begin and Ariel Sharon. Otherwise, it is likely that the next edition of this book will still have the title *The Lingering Conflict*.

The Arab Uprising: The Unfinished Revolutions of the New Middle East. BY MARC LYNCH. PublicAffairs, 2012, 288 pp. $26.99.

The Invisible Arab: The Promise and Peril of the Arab Revolutions. BY MARWAN BISHARA. Nation Books, 2012, 272 pp. $26.00.

Lynch, an Arabist and blogger, and Bishara, a political analyst at Al Jazeera English, have both written informed and engaging accounts of the uprisings that have brought down four regimes (in Tunisia, Egypt, Libya, and Yemen), been resisted by two others (in Bahrain and Syria), and shaken the entire Arab world. Both books perceptively analyze the interrelatedness of these developments and the coinciding events in Algeria, Iraq, Sudan, and non-Arab states such as Turkey. Lynch and Bishara are in broad agreement about the causes and consequences of the uprisings (the brittleness of security states led by all-in-the-family presidential monarchies), the vital role played by youth in the revolutionary movements, the significance of the delayed participation of Islamists, the impact of new media technologies, and the continuing importance of Arab and Muslim perceptions of the Israeli-Palestinian conflict. They differ in appraising the United States' role. Although they share scorn for the Bush administration's approach to the Middle East, Lynch sees the Obama administration's response to the so-called Arab Spring as rapid and effective, whereas Bishara concludes that Barack Obama "has lacked any discernible policy."

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Pakistan on the Brink: The Future of America, Pakistan, and Afghanistan. BY AHMED RASHID. Viking Adult, 2012, 256 pp. $26.95.

Rashid's 2008 book on Pakistan was titled *Descent Into Chaos*. Four years later, the move from "chaos" to "the brink" does not augur any improvement. Rashid presents Pakistan as a failing state with an irresponsible civilian leadership and a military fixated on threats from India. Next door in Afghanistan, President Hamid Karzai is a disappointment, and the Obama administration waffles with surges, announced withdrawals, and tentative talks with the Afghan Taliban. Meanwhile, terrorist groups and Islamist movements are gaining ground in the region. This somber book opens with a compelling narration of the killing of Osama bin Laden and closes with a fine survey of the many neighboring countries that influence events in Afghanistan and Pakistan, from the Gulf states and Iran to China and India. This century's Great Game in Asia is a multiplayer matter. No one should be overlooked. Many could play the spoiler.

Algeria: France's Undeclared War. BY MARTIN EVANS. Oxford University Press, 2012, 304 pp. $35.00.

In the dismantling of Western empires that took place following World War II, no case was more dramatic or more tragic than the brutal eight-year war the Algerians fought, beginning in 1954, to end over 100 years of colonial domination by France. This confrontation has never lacked its historians, memoirists, and polemicists. But Evans, a master scholar, has produced a comprehensive narrative, concentrating on the years of the "undeclared war" but also giving sufficient attention to the colonial era of 1830 to 1954. This is a history equally of Algeria and France, as it must be. The book carefully documents the violence and torture committed by both sides of the conflict, whose grim history is matched by a grim aftermath and legacy. French President Charles de Gaulle finally got France out of Algeria but callously turned his back on the fleeing French settlers and on the *harkis*, Algerians who had fought for France. The Algerian revolutionaries who led the fight for independence became a military caste that has ruled the country ever since.

Asia and Pacific

ANDREW J. NATHAN

Escape From Camp 14: One Man's Remarkable Odyssey From North Korea to Freedom in the West. BY BLAINE HARDEN. Viking Adult, 2012, 224 pp. $26.95.

This is the nearly incredible but carefully authenticated story of Shin Dong Hyuk, who was born in a North Korean internment camp for political prisoners and is one of only two people known to have escaped from one. The camps house an estimated 100,000–200,000 members of the so-called hostile classes, who are forced to labor on starvation rations until they die. Shin's father was imprisoned because his brothers had escaped to the South during the Korean War. Shin was born in the camp in 1982 and inherited his family's guilt. Each phase of Shin's young life reveals aspects of the North Korean reality: the merciless regimen of the camps, the poverty and corruption outside them, the parlous existence of North Korean refugees in China, and their isolation in South Korea if they are lucky enough to make it there. Shin eventually came to the United States, where he now promotes awareness of the camp system while continuing what will probably be a lifelong struggle with the psychological damage of his traumatic past. The six known North Korean total-control camps remain visible on Google Earth today.

In My Mother's House: Civil War in Sri Lanka. BY SHARIKA THIRANAGAMA. University of Pennsylvania Press, 2011, 320 pp. $59.95.

The complex events of Sri Lanka's nearly 30-year civil war are told here from the bottom-up viewpoint of Tamil and Muslim families that suffered at the hands not only of the Sri Lankan government but also of the Tamil insurrectionary movement and, for a time, of an intervening Indian force. As an anthropologist, Thiranagama is interested in how uncontrollable eruptions of violence dislocate people's lives. The Tamil Tigers said they were fighting for a "Tamil homeland," but their people lost everything from houses to social networks to traditional social identities. Thiranagama interviewed people who had survived the death of loved ones and the loss of property and somehow reconstituted their lives in Sri Lanka or abroad. But they found their personal and family roles blurred, ethnic identities made more rigid, and barriers heightened between individuals and communities. Moving from event to event and shifting among individual narratives, historical events, and anthropological theories, the book does not quite come together. But it leaves a profound sense of the victims' unfathomable losses.

China Experiments: From Local Innovations to National Reform. BY ANN FLORINI, HAIRONG LAI, AND YELING TAN. Brookings Institution Press, 2012, 228 pp. $29.95.

This book suggests that China is moving toward a new kind of authoritarianism, one that provides "greater voice and accountability" and is responsive enough to blur the distinction with democracy. China's leaders face the need to rebalance state-society relations and cultivate greater legitimacy in response to the rise of a middle class, new media, and rights consciousness. Even though one-party rule remains sacrosanct, the authors identify a variety of local experiments that have loosened top-down control and opened channels for citizen input. These include an electronic supervision system to prevent corruption in issuing administrative approvals for new businesses in Shenzhen, the use of various forms of opinion polling and semi-competitive elections to help select government and party officials at the lowest levels, government cultivation of certain citizen groups that provide social services, and the adoption of regulations to increase public access to government information. The question is whether these experiments are less-than-halfway measures designed only to disguise the true structure of power or whether they are the early signs of real change, as the authors seem to believe.

Walmart in China. EDITED BY ANITA CHAN. ILR Press, 2011, 304 pp. $65.00 (paper, $24.95).

In the last decade or so, a Bentonville–Guangdong nexus has become one of the thickest links in the U.S.-Chinese relationship. If Walmart were a country, it would be China's sixth-largest export market. The Arkansas-based merchandiser has become the sole customer for an entire network of subcontractors and sub-subcontractors throughout southern China. With its buying power and tight logistical management, the retailer virtually controls its suppliers without having to own them. Walmart has also become a major retailer in China, with about 200 stores catering to the rising middle class. The book's contributors used cloak-and-dagger fieldwork skills to provide a sharp picture of labor conditions at Walmart's suppliers and in its Chinese stores. They show that the company's Ethical Standards Program has done little to prevent sweatshop-like abuses among its suppliers. On the other hand, its store employees have taken easily to the corporate culture, whose Christian- and rural-inflected ethos meshes with Chinese traditions of moral exhortation, mutual surveillance, and the pursuit of personal ambition through collective service.

After Leaning to One Side: China and Its Allies in the Cold War. BY ZHIHUA SHEN AND DANHUI LI. Stanford University Press, 2011, 360 pp. $60.00.

Shen and Li are highly regarded in China for their nuanced histories of key episodes in the Cold War, which form a solid contribution to the field of Cold War international history. Their work belongs to a wave of independent Chinese scholarship that demystifies China's role in the conflict by showing the country to be a self-interested state like any other. In these translated selections from their work, they address key episodes in relations among China, the Soviet Union, North Korea, and North Vietnam. The basic method is a painstaking analysis of documents; still, the stories crackle with the tension of real politics. They find that Mao's decision to enter the Korean War was not planned in advance but was taken reluctantly in response to the American intervention, which Mao had not expected; that disputes over command, strategy, and logistics bitterly divided the Chinese and Korean allies throughout the war and after; and that North Korean leader Kim Il Sung's fear of a pro-China faction in his own party led to the withdrawal of Chinese troops from the North in 1958. Throughout the episodes Shen and Li studied, national interest always trumped proletarian solidarity, a truth that remains useful as contemporary observers peer behind the façade of Beijing-Pyongyang comity today.

China Hand: An Autobiography. BY JOHN PATON DAVIES, JR. University of Pennsylvania Press, 2012, 376 pp. $34.95.

Davies was a U.S. Foreign Service officer best known as one of the victims of the Red Scare purges in the early 1950s. He died in 1999, leaving behind this unfinished memoir. It deals mostly with his time in Burma (now officially called Myanmar), China, and India as a civilian aide to U.S. General Joseph Stilwell during World War II; his service in the U.S. embassy in Moscow after the war; and his feud with Patrick Hurley, then U.S. ambassador to China, over relations with the Chinese Communists. Davies acknowledges that his advice to try to win the Chinese Communists away from Moscow's side was unrealistic. At the same time, he shows how Chiang Kai-shek manipulated American policy and how Hurley laid the basis for the

McCarthy-era witch-hunt by portraying some of the best-informed Foreign Service officers who worked with him as having a pro-communist bias. The book is filled with vivid personalities and brings to life the fluid strategic situation at the end of the war. Its wry style makes for a delightful read, even though the foreordained outcome suffuses the story with regret.

Africa

NICOLAS VAN DE WALLE

Charles Taylor and Liberia: Ambition and Atrocity in Africa's Lone Star State. BY COLIN M. WAUGH. Zed Books, 2011, 384 pp. $116.95 (paper, $29.95).

Waugh has written a splendid biography of one of the most fascinating figures in recent African history. Charles Taylor rose from modest circumstances to become a powerful warlord during the civil war in Liberia in the 1990s. In 1997, he was elected president, but he was later forced from office. In 2003, the Special Court for Sierra Leone (based in The Hague) indicted Taylor for a bevy of war crimes, including terrorism, rape, and the conscription of child soldiers. (A verdict in the case is expected soon.) Waugh relates this story with a wealth of telling details that reveal Taylor as a savvy strategist who carefully nurtured his relationship with the press and courted a wide range of international allies, from Libya's Muammar al-Qaddafi to French officials to Burkina Faso's president, Blaise Compaoré, all of whom offered Taylor diplomatic support and resources at one time or another. Waugh never underestimates Taylor, but he also makes it clear that Taylor's sole motivation has always been a desire for personal aggrandizement and wealth.

Africa's Moment. BY JEAN-MICHEL SEVERINO AND OLIVIER RAY. Polity Press, 2011, 352 pp. $25.00.

This book delivers a lively introduction to contemporary sub-Saharan Africa, surveying current trends in the region, including the recent emergence of a number of dynamic economies, the high costs of endemic corruption, the stubborn persistence of civil war, and the destabilizing potential of elections in fledgling democracies. Most interesting, however, is Severino and Ray's emphasis on demographic changes and natural-resource issues. They cite projections that the population of Africa will exceed 1.8 billion people in 2050—a quarter more than China's predicted population by that point. Such population growth will entail massive urbanization and put enormous pressure on natural resources, especially water, with potentially explosive political consequences. But it will also create significant economic opportunities. Arrestingly, the authors also predict that urbanization will lead to a progressive decline in the salience of ethnic conflict in the region, as Africans move away from parochial identities and toward broader ones.

The Origins of AIDS. BY JACQUES PEPIN. Cambridge University Press, 2011, 310 pp. $85.00 (paper, $28.99).

Tinderbox: How the West Sparked the AIDS Epidemic and How the World Can Finally Overcome It. BY CRAIG TIMBERG AND DANIEL HALPERIN. Penguin Press, 2012, 432 pp. $29.95.

These two books deserve to be read by

anyone interested in Africa's HIV/AIDS crisis. Pepin has written an absorbing analysis of the roots of the epidemic. It reads a bit like a crime novel, as he gathers evidence from various colonial-era archives to trace the spread of the virus, beginning with its initial transmission from chimpanzees to humans in central Africa sometime during the first half of the twentieth century. Pepin argues convincingly that modernization, urbanization, and the growth of prostitution all combined with catastrophic flaws in colonial health systems to aid the spread of the virus. He presents a readable explanation of the complex biological details of the virus and its different strains while also providing an intriguing social history of central Africa.

Pepin's story ends in the early 1980s, when the epidemic exploded. That is about when Timberg and Halperin's account begins, focusing on the international effort to overcome the disease. Like Pepin, they contend that colonialism "sparked" an epidemic by spurring rapid modernization in central Africa. But long after the end of the colonial era, HIV/AIDS, now a global pandemic, continues to hobble the continent, in part because of HIV's origins in the region and in part because of Africa's poverty and woeful health systems. Today, roughly two-thirds of all HIV infections occur in sub-Saharan Africa, and mortality rates for the disease are considerably higher there than elsewhere. (In the past three decades, fewer than one million Americans have died of AIDS-related illnesses; in 2009 alone, 1.3 million Africans died because of the disease.) The book's account of the global campaign to combat HIV/AIDS focuses almost entirely on individual researchers and international agencies; African governments are strikingly absent from the narrative. The authors are highly critical of aid programs that promote sexual abstinence, which they view as ineffective. They are also particularly disappointed that the discovery that male circumcision makes infection considerably less likely has not resulted in major new programs to promote large-scale circumcision campaigns.

UN Peacekeeping in Africa: From the Suez Crisis to the Sudan Conflicts. BY ADEKEYE ADEBAJO. Lynne Rienner, 2011, 270 pp. $58.50 (paper, $22.00).
Roughly 40 percent of all armed United Nations peacekeeping operations have occurred in Africa, and the biggest and most expensive to date is the current UN mission in the Democratic Republic of the Congo, which involves some 20,000 soldiers. Adebajo argues that such operations can succeed only under certain conditions. First, the backing of the permanent members of the UN Security Council is crucial, as peacekeeping missions are much less likely to secure budgetary resources and diplomatic support without it. Second, the peacekeepers must rely on the cooperation of the local belligerent parties in order to neutralize potential spoilers. Finally, neighboring countries and regional powers, such as Nigeria and South Africa in the case of Congo, can increase the chances of success by providing diplomatic and military support to peacekeeping efforts. Of course, all three of these exacting conditions rarely exist in combination, and most UN operations in the region cannot be considered successful. Adebajo pleads for more support from Western powers for multilateral peacekeeping operations and advocates a larger peacekeeping role for regional organizations such as the African Union.

FOR THE RECORD

The article "Balancing the East, Upgrading the West" (January/February 2012) misstated the cause of the Roman emperor Romulus Augustulus' fall from power. He was forced into exile, not killed.

In "The Case for Space" (March/April 2012), a sentence stated that the 2009 American Recovery and Reinvestment Act stipulated how NASA should spend $1 billion of its existing budget. In fact, the $1 billion in question represented new funding.

In "War Downsized" (March/April 2012), Edward Lansdale was identified as having been a colonel in the U.S. Army in 1950. By then, Lansdale was an officer in the U.S. Air Force.

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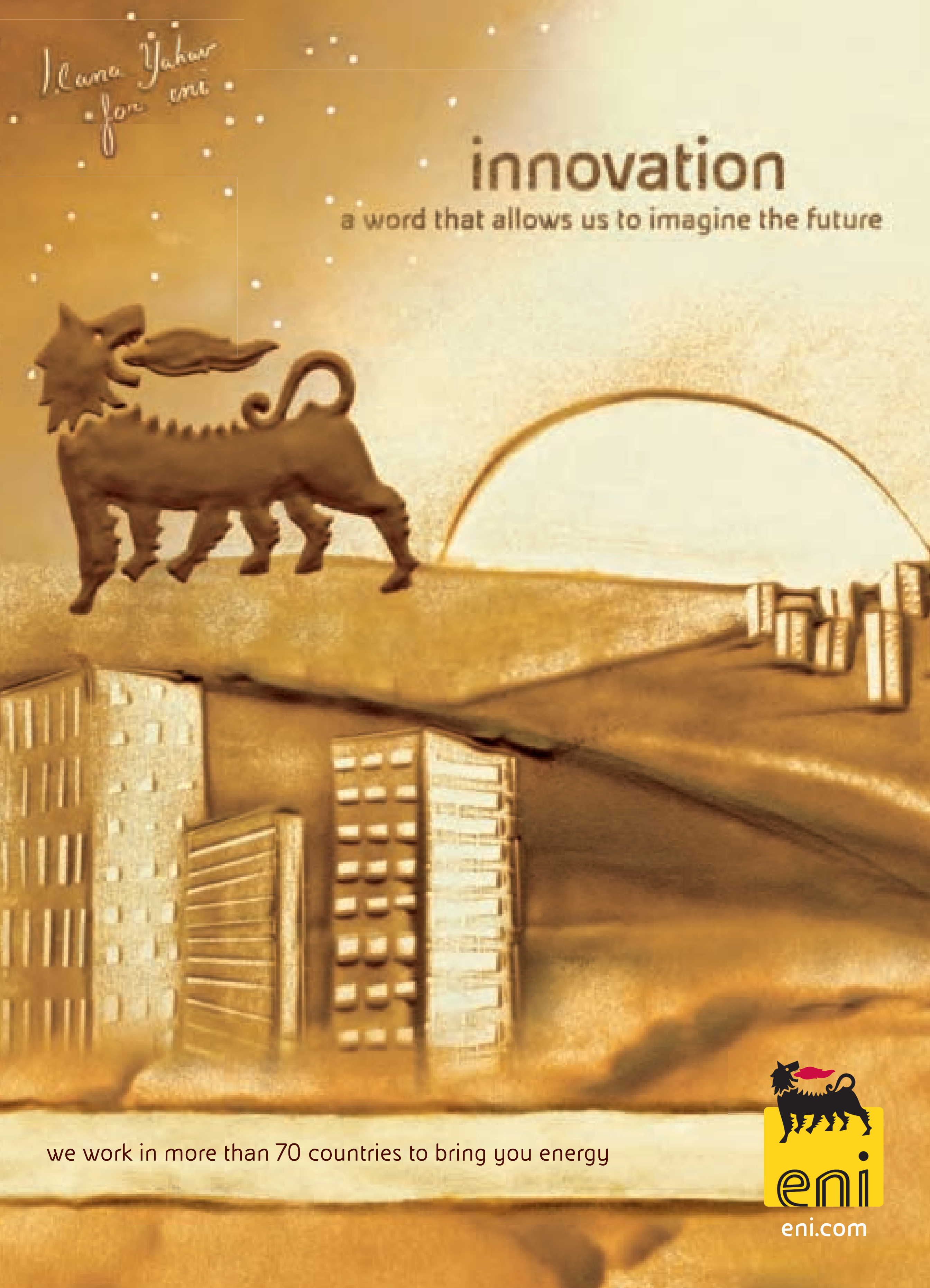

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