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“The United States in the World Today”

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This series is called The West against the Rest, but I was encouraged to focus more on the United States in the world today and possibly make some reflections back to that book of mine, The Rise and Fall of the Great Powers, which is now nearly 23-years-old.

If I had a little quote for what follows it would be the motto of the French bureaucrats and diplomats of the 18th century, which was, *gouverner, c'est choisir*. To govern is to choose. To govern is to make choices.

But then what happens if the governors, the nation's decision makers, have only hard choices, no easy ones at all? What happens if your alternative is a bad decision or possibly a worse decision or you fudge it and make no decision at all? It becomes a really bad decision because you didn't make a decision. What happens if it's like that?

I'm understanding my task as being to provoke you this evening with a few thoughts, a few propositions about the challenges facing the most powerful nation on earth, the United States, as it starts moving through the 21st century. I also want to pose questions about hard decisions and in particular about dilemmas; about what happens when you've got A and B and you don't like A but you detest B. That happens in your business life, it may happen in personal relations, it may happen in all sorts of area.

So it occurred to me to step back and ask, what are the broad dilemmas facing the United States in world affairs now and into the future? I often ask my Yale students this: supposing an investigative team of Martian scientists and social anthropologists arrived and asked you to explain briefly this or that or the other.

My students are very bewildered when I put this proposition to them -- they clearly are not expecting a team of Martian visitors but it forces them to think. Supposing the Martians had got a sense of the world we live in and its complications, the peculiar fact that we have divided ourselves into 192 separate sovereign states. The Martians are really bewildered by it. I mean, how bloody stupid can you get, to divide your simple species of homo sapiens into 192 separate

sovereign states? In Mars everybody is just one entity, one unit. So they've got a lot to puzzle with.

And then they're told that some of the states are bigger, more complicated and more powerful than others. Others are very small and weak and timid. And they are told that there's one of them which stands out because of what happened to it and to the world as the 20th century unfolded. It became very big, very powerful and very influential. It set standards. It pushed for the creation of institutions like the World Bank and the United Nations – institutions which were very much instruments of this single nation's wish to make sure the world went in its direction, make sure the world was not antagonistic to it and make sure the world was good for America.

Of course, you could also point out that being good for America was also going to be good for Canada, Europe and others.

So it happened, and then the Martians -- having gone away for a few months to scratch their heads and report back to Martian Imperial General Headquarters -- come back again and they say, well, our bosses want to know more about America in this world. How do you do it?

You've only got 4.6% of the world's population. It's true you're a very productive country, producing approximately 21% of the world's total product, the same as the European Union, and still some way off from the People's Republic of China, which produces about 14%. So you're only 14.6 % of the world's population, you've got about 21% of the world's product, and for reasons we absolutely don't understand, you are spending slightly over 50% of all of the defense spending of the 192 nations on this planet. And we just wonder, how long are you going to go on in this sort of anomalous situation?

So the people with whom the Martians are in liaison come back and talk with those Americans, and they say, well you know, you had better get on the Amtrak and go up to New Haven and talk with Professor Kennedy and ask him what he thinks the challenges or the dilemmas to American decision makers are. Ask him what he would say about gouverner, c'est choisir.

If I have to choose four big dilemmas, four substantial challenges and problems facing the United States as it goes into the future -- and I'm not just thinking of this mid-term election, I'm thinking of the future of five years, 10 years, 20 years -- what would

the four dilemmas be? Perhaps you will agree and perhaps you will disagree.

These are not necessarily ranked, by the way, but dilemma # 1 is the budget deficit in a low-growth economy. Do you -- the people who have to choose in the Congress and in the White House -- do you decide you need yet another stimulus package, yet another insertion of monies into the housing market or into support for American banks, which incidentally in the regional banks are right now falling faster than ever before? And whether you cut or you spend, who pays the cost?

If you decide to spend more -- since the gap between your inflow of earnings and your spending is so big -- who buys the treasuries each week and each month to fund the deficit? That's the dilemma of the budget deficit in a low growth economy.

The second dilemma is related but it's also separate. It's the trade imbalances versus the further rise of China dilemma. Now what do I mean by that? Most of you have read recently that the United States Congress made one of its sweeping resolutions of very low intellectuality, promising to punish the Chinese if they did not

upwardly adjust the international exchange rate of the renminbi. The dilemma is, ladies and gentlemen, will a strong Chinese currency -- which has tended to mean a weaker dollar -- help America's world position in the 21st century?

In the short term -- and that's the way most of my economist friends at Yale and elsewhere think -- a cheaper dollar will increase American exports and a more expensive renminbi will cause Chinese exports on the world markets to be less competitive. The problem I find with the entire class of economists of whatever ilk is that none of them -- none of them -- think strategically. None of them have the least sense of history. None of them have considered that the steady rise of the exchange value of a currency in history of a particular country or group has led along with it to the steady rise of that particular country or power's heft or weight and influence in world affairs.

For quite a number of generations Europeans were happy to trade in the coins of Lombardy and Tuscany. After all, the Bank of England's address is on Lombard Street in London and that is no coincidence. After a while the Dutch guilder took over as the currency of favour and later the French franc took over, and then for 150 years

-- remarkably -- the pound sterling reigned supreme. Then after the First World War and even more after the Second World War it was the turn of the dollar.

With every enhancement of the international value of the currency of the rising nation came their increased capacity to influence world affairs and the decreased capacity of the nation which was devaluing, whether purposefully or not. So I see a continually devalued dollar and a continually revalued Chinese currency as devastatingly stupid for American grand strategy. We will see it shortly in narrow waves.

An East African nation will announce the discovery of another deposit of a vital raw material like manganese or cobalt or tungsten which the United States needs, but which also China and India need. China will be able to buy that from the willing Ugandans and Kenyans at significantly easier rates because its currency is rising and the United States will have to dip ever further into its pockets to pay for such items.

Another problem I have with economists is they think solely in dollar denominated terms, and those terms actually sort of

disappeared in about 1973. But economists still think in dollar denominated terms and that world is gone. That's the second dilemma.

The third dilemma is a foreign policy dilemma. I put it in inverted commas. It's called The Being Everywhere at Once Foreign Policy Dilemma. It's the Madeleine Albright Indispensable Nation Attraction. Everybody needs us and we can be everywhere. We have the global reach. All roads lead to Washington. The old saying 2000 years ago was all roads lead to Rome. In the late 19th century, under the domination of Bismarck, it was said that all roads lead to Berlin. And you may reflect over time that something happened to Rome and something happened to Berlin. The assumption that all roads lead to Washington and that the United States has to be the packhorse, the supplier, the indispensable one, is what the Martians just absolutely cannot understand.

How on earth do you think you can be indispensable in your own backyard of Latin America and in the Middle East and in giving assurances to the Baltics and the Ukraine and now creating air bases in Central Asia and in Iraq, Afghanistan and Pakistan? How do you think you can be all over the Western Pacific and Southeast Asia? This

will be an incredibly difficult thing for American decision makers to confront -- that there may be some parts of their enormous cloth, their global cloth, which they will have to cut.

They will have to say, there are some places in the world which are really important to us and some are of medium importance and some are not at all and that's for the United Nations or somebody else to handle.

I and two of my graduate students tried an experiment about 16 years ago. We wrote an article for Foreign Affairs called American Strategy and the Pivotal States. And what we argued there was that of course America has close allies and NATO allies -- Europe, Canada, Australia, New Zealand and Israel. It has a special relationship with Saudi Arabia. It has rogue states like -- at that time -- Libya, Iran, North Korea. And of course, it has to pay special attention to Russia and China. But once you've got all of those out of the way, there are another 160 states on God's earth. Can you treat all of them equally? We argued in this article that no, you should just look at particular parts of the globe and make decisions based on geopolitics and strategy. If we can help a nation rise and become more prosperous and free, then its region will likely rise. If it collapses in confusion its

neighbours will be infected by that confusion.

As an experiment we put out what we called eight tethered goats. Mexico was one of them -- you cannot ignore the future of Mexico. There were Brazil and Algeria -- most of Europe would have a vast crisis if Algeria went into civil war and chaos given the gas dependency. There was Egypt -- for obvious reasons -- and there was Turkey and also South Africa. There were India and Pakistan which we couldn't separate, of course. There was also Indonesia. We said those countries were where the United States should concentrate its diplomatic efforts and its military efforts. If you can get those eight pivotal states in a pro-West and prosperous position you're probably doing the best you could for America's long-term future.

It would be hard to describe the vitriol of the letters which came into us. They said, you're turning away from the poorest and most desperate countries of the globe or what do you mean saying Brazil is a pivotal state but my country Argentina is not a pivotal state? And none of the policy makers in Washington -- though we did go and testify on the Hill -- were interested in the notion that the United States should start prioritizing. Gouverner, c'est choisir. But they do not want to choose.

And here's the fourth dilemma which links in. I call it the defense spending and defense priorities dilemma. Can you just spend and spend and spend as you've been doing for the past ten or 15 years? If not -- and it's clear that at least Mr. Gates, who strikes me as the most sensible Defense Secretary the United States has had in a long time thinks you cannot -- where do you make cuts?

What do you see when you go to Washington or the National Defense University or to listen to people like General Petraeus and others who come to Yale or go down to the Naval War College in Newport or to talk to the Marines at Quantico? What you see is four services battling tooth and claw to retain their share of what they anticipate will be a shrinking pie. And much of it revolves around visions of the dangers to the United States in the years to come. The Marine Corps and the Army are now firmly convinced that what the United States needs to do is to give additional resources to the grunts on the ground -- the Marine Corps is asking for three additional brigades -- because that's where the problems are going to be.

The problems are going to be in collapsed states and in wobbly societies -- the potential implosion of Mubarak's regime in Egypt and

the need to send Marines there to rescue a lot of people and to stabilize. So what they're saying is, you can't cut us. We want smarter weapons and we want more bodies. And the Air Force is saying, we need to be completely dominant in the skies as we have been over the past 60 years. That means going forever higher and using much more expensive technology. And the Navy, if you go to the Naval War College in Newport, has only one word on its mind and on its brain and on its lips -- China. China, China, China, China, China.

They have dusted down recently the wonderful big chart of the Pacific Ocean which was established for the planners at Newport to carry out the famous war plan Orange across the Pacific against Japan in the 1920s and 1930s. They haven't actually given it a name and they haven't said who it is on the other side that we've dusted down this big mural for, but it doesn't take a rocket scientist to recognize that at Newport just a year ago they set up a China Maritime Studies Center.

When you put these four dilemmas together -- the how to handle a budget, the how to handle the trade deficit conjoined with the dollar weakness and the rise of China problem, how to handle the can you be everywhere at once dilemma and how to handle the defense

spending priorities dilemma -- then you have to feel a certain amount of empathy for those who go into government and into decision making. They sort of somehow cohere together.

All of them are suggesting that the United States needs to rethink its 21st century future and position, in the way that after the South African War, after the Boer War, the British began to rethink their coming 20th century position. They began to think of where they were not going in, where they were not going to be, where the most important parts were.

All of this pays no attention to what I think are the undoubted long term massive strengths of the United States: its climate, its geography. Americans often talk about the Chinese being hypersensitive. The Chinese have got a rather nasty collection of 14 nations on their borders. What would the United States think if it had 14 nations on their borders? It would have a heart attack. So the strengths of the United States are: climate, geography, massive sustainable agricultural resources, about the best supply of fresh water for the future outside of Brazil and alongside of Canada, research and development investment which is still strong, and research universities which are still very competitive.

The weaknesses -- the deficits and going into countries and sending tens and hundreds of thousands of troops overseas, the failure to stop the erosion of the long term manufacturing base -- are all unlike having the world's best fresh water supply or agricultural system. All of those weaknesses were man made. But then again, so were Philip of Spain's weaknesses and eventual slow eroding decline -- the consequence of human decisions or often lack of decisions, the decision not to decide because any decision would be too painful at the time.

So, I report from south of the border, we do go into these midterm elections with a very bruised presidency, a very bruised and increasingly divided Democratic Party, a Republican Party which has lost its way and a sort of renegade Tea Party which absolutely refuses to do any number counting or to act responsibly. The strengths of the United States will remain. The capacity for that political system to inflict damage on itself domestically and to fail to prioritize externally continues to astonish me. It does. Thank you.