Underwriting Democracy

Encouraging Free Enterprise and Democratic Reform Among the Soviets and in Eastern Europe

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CHAPTER 4

America at the Crossroads

Where does the collapse of the Soviet empire leave the United States? In a profound crisis of national identity. We have learned to think of the world in terms of two superpowers confronting each other and have had no difficulty in casting ourselves in the role of the good guy confronting the evil empire. This way of looking at the world had its pitfalls—it allowed us to engage in certain questionable activities in places like Central and South America that were no better than those of our adversaries—but at least the evil empire confronting us could be used as an excuse for actions that could not be justified in any other way. Now we are losing the most reliable guidepost of our foreign policy, the enemy in terms of whom we can define ourselves. The abominable snowman is melting before our eyes and we are left looking somewhat ridiculous—dressed for the cold war in a warm climate.

The emergence of Europe as an integrated economy is similarly disorienting. We have come to realize that the United States may not be the strongest economy in the world, on account of the rapid rise of Japan, but we have continued secure in the knowledge that it was the largest. Now that is no longer true. The European Community is actually larger than the United States, and with the addition of the other East European countries, it is going to become even larger.

Being the largest economy and a military superpower are key features of the American self-image. It would take a profound and wrenching adjustment to renounce them. We like to be the defenders of the free world; we are used to having the last word with our allies; we have veto power in the international financial institutions and are inclined to downgrade the United Nations exactly because we do not control it.

Our crisis of national identity is much less acute than that of the Soviet Union. But whereas Gorbachev has done some profound "new thinking," especially in the sphere of international relations, we have done hardly any new thinking at all. Our approach to international relations is

firmly grounded in the doctrine of geopolitics, which holds that national interests are determined by objective factors like geography, which will prevail in the long run over the subjective views of politicians. I need hardly point out that geopolitics is in conflict with the theory of reflexivity, which holds that the views of the participants, exactly because they are biased, have a way of affecting the fundamentals. The present is a case in point. Gorbachev has redefined the policy objectives of the Soviet Union, and the fundamentals are clearly not the same as they were before.

The doctrine of geopolitics gained ascendancy as a reaction to the well-meaning idealistic approach to international relations that proved so inadequate in dealing with Stalin's Soviet Union. It is ironic that the well-meaning idealistic approach of Gorbachev should now show up the inadequacy of geopolitics. No wonder that the hardheaded professionals of our foreign policy establishment should suspect a ruse! The weight of evidence is gradually forcing them to revise their views, but much valuable time has been lost in the process. As a result, the United States has been reacting to events rather than taking the lead.

That is a great pity. The participants' perceptions always diverge from reality, but it makes all the difference whether they anticipate or lag behind the actual state of affairs. For better or worse, the United States still occupies the leadership position in the world. If it fails to exercise leadership, events are going to follow the line of least resistance. We have seen where that is likely to lead.

The Bush administration seems to suffer from a strange inhibition. If feels that it ought not to take the lead in offering economic assistance to Eastern Europe because it lacks the financial means to back up its promises. This attitude reflects a fundamental misconception. The United States is financially constrained today exactly because it has spent so much on defense. As a result, it enjoys a position of uncontested military leadership. If it is not ready to use that position, what was the point of running up a tremendous budget deficit in the process of attaining it? In other words, the United States has already paid its dues and can now draw on its accumulated credit; the rest of the world ought to put up the cash. It is willing to do so. The

Germans are held back only by their desire not to be seen to be going too far on their own. That is why the French initiative to launch a European Investment Bank was so successful. Japan also wants to be a player in world politics, and it is up to the United States to provide the initiative. World leadership is ours for the asking, but if we fail to seize it, we shall lose it. Our military preparedness loses its value as the Soviet threat diminishes; and the economic and financial superiority of Japan is growing by the hour.

The choice confronting the United States can be formulated as follows: do we want to remain a superpower or do we want to be leaders of the free world? The choice has never been presented in these terms. On the contrary, we have come to believe that the two goals go together. They did indeed, as long as the free world was confronted by the "evil empire." But that is no longer the case. Nothing drives home the point better than to contrast world leadership with superpower status. If we insist on preserving our superpower status, we are no longer doing it in order to protect the free world but to satisfy our image of ourselves. If we want to retain our leadership role, we must help bring about a world that is no longer dominated by superpowers.

It so happens that the creation of a new world order would coincide with our narrow self-interest. The gap between the reality of our position and our image of ourselves has widened to the point where it has become unsustainable. The trouble is that we spend more than we earn, both as a country and as a government. The excess in spending almost exactly matches the increase in our military expenditures since President Ronald Reagan took office in 1981. As a result, our economic competitiveness has eroded and our financial condition has deteriorated to a point where the dollar is no longer qualified to serve as the reserve currency of the world.

The crisis is not acute, and we are only dimly aware of it because we have a willing partner, Japan, that is happy to produce more than it consumes and to lend us the excess. The partnership allows us to maintain our military power and allows Japan to increase its economic and financial dominance. Everybody gets what he wants, but in the long term the United States is bound to lose. Many empires have maintained their hegemony by exacting tributes from their vassals, but none have done so by borrowing from their allies. The problem could be resolved by downsizing

our military commitments. The budget deficit could be not only reduced but eliminated, and we could recover our economic and financial strength.

What would happen to the world if we stopped standing guard over it? Until recently, virtually all local conflicts have been exploited, but also contained, by superpower rivalry. If the superpowers withdrew, the conflicts could rage out of control. Even at the height of their influence, there were many conflicts that the superpowers were unable to contain. If their power wanes, local wars may proliferate.

Superpower rivalry was a form of global organization. If we abandon it, some other form of organization must take its place. Since the United Nations and the Bretton Woods organizations have manifested their imperfections, we need to improve and strengthen the international institutional framework. Is the United States willing to accept an international authority that is not under its control? That is where our image of ourselves stands in the way of creating a new world order. To renounce superpower status would require a reshaping of our entire outlook on the world.

Our outlook is based on the doctrine of the survival of the fittest, which we extend both to the economy and to international relations. We recognize the debilitating effect of government intervention, and we extol the virtues of free enterprise. The doctrine of social Darwinism is especially appealing if you are the fittest. That is why it has become so intricately bound up with our superpower status. Like any other doctrine, it contains some inherent inconsistencies. To mention only the most obvious, superpower status implies government intervention on a very large scale—in other people's affairs as well as our own. One way to resolve the contradiction is to withdraw from international relations altogether—there has always been a strong isolationist streak in American politics—but withdrawal is not a viable option. The Soviet Union is on the verge of chaos, and Europe needs an American presence. We need to go a step further in revising our view of the world.

The doctrine of the survival of the fittest emphasizes the need to compete and to come out on top. But unrestrained competition is not sufficient to ensure the survival of the system.

Civilized existence requires both competition and control. The Soviet Union discovered that control without competition does not work; we need to recognize that competition without control is equally unsatisfactory. That is true in the economy—stock markets can crash; freely floating exchange rates can disrupt the economy; unrestrained mergers, acquisitions, and leveraged buyouts can destabilize the corporate structure. It is true also in ecology, as we are beginning to discover after two centuries of unrestrained competition in exploiting natural resources. And it is equally true in international relations. The survival of the fittest is a nineteenth-century idea; a century of unprecedented growth has highlighted the problems of the system as a whole.

The question is, can the needs of the system take precedence over the needs of the participants? The issue does not arise when a system has no thinking participants. Only when there are people capable of formulating alternatives does a conscious choice present itself. At that point, the participants' views become an important element in shaping the system, and their attitude toward the system becomes a critical issue. Do they care about the system or only about their place within it? I shall argue in my theory of history that open society suffers from a potential weakness: the lack of allegiance to the concept of an open society. Now the problem presents itself in a practical form.

Historically, the United States has had a profound commitment to the ideal of an open society. It is enshrined in the constitution and has also imbued the conduct of foreign affairs. Its influence on foreign policy has not been wholly beneficial. Although it may have helped to keep the country out of foreign alliances until after World War II, there were some episodes that came suspiciously close to colonial conquests. Also, of course, the United States got involved in two world wars. At the end of both wars, the United States took the lead in trying to establish a world organization that would prevent world wars in the future. But in the first case the United States itself refused to become a member; in the second, the Soviet Union rendered the organization all but ineffective. The most glorious demonstration of the open society principle was the treatment of the defeated countries after World War II, the Marshall Plan in particular. At that time, the

United States dominated the world economy to such an extent that there was practically no distinction between the needs of the system as a whole and the self-interest of the United States.

The United States has now lost its paramount position in the world economy, so the interests of the system as a whole and narrow self-interest are no longer identical. It is the Japanese who are the main beneficiaries. There is also a conflict between being a military superpower, which requires heavy spending on defense, and being a democracy that satisfies the electorate. The conflict has been resolved along the line of least resistance, through deficit financing. Deficit financing, in turn, has been an important element in our loss of economic hegemony.

A powerful military-industrial complex has come into existence and permeates our economic and political life. Its main drive is self-preservation and in this it is very successful. President Eisenhower warned us against it in his parting speech, but it has grown greatly in influence since then. It is the main base of our technology and an important feature of our self-image. It even has an ideology: social Darwinism and geopolitics. Unfortunately, there is no countervailing force, because deficit financing has obscured the costs. As the last two elections have demonstrated, the electorate simply does not recognize the budget deficit as a problem. Mondale lost because he made it an issue. Dukakis did not even try.

Open society as an ideal has been relegated to the status of all other ideals: a suitable dressing to cover actions that would be offensive to the public eye in their naked form. Anti-Communism and the defense of freedom are empty phrases to be used in presidential speeches. Policies are determined by cold calculations of self-interest. Since the various self-interests—national, institutional, and personal—are in conflict, their reconciliation is the art of politics. Those who practice it are professionals, those who are motivated by ideals that transcend self-interest are amateurs. Any suggestion of generosity or a larger point of view is treated with disdain; even the Marshall Plan has become a dirty word.

There is something fundamentally wrong in prevailing attitudes. The pursuit of self-interest is simply not sufficient to ensure the survival of the system. There has to be a commitment to the system as a whole that transcends other interests. Otherwise, a deficiency of purpose will cause

open society to self-destruct. It is easy to be generous and to make sacrifices for the sake of the system when one is the system's main beneficiary; it is much less appealing to subordinate one's own interests to the greater good when the benefits accrue to others. And it is downright galling to do so when one has lost one's previously dominant position. That is the position the United States finds itself in, and that is why it is so painful to engage in any radical new thinking. It is much more tempting to hang on to the illusion of power.

Our attachment to superpower status is understandable, but it is nonetheless regrettable, because it prevents the resolution of a simmering crisis. The crisis will have to become more acute before it prompts any radical rethinking. In the meantime, a historic opportunity vis-á-vis the Soviet Union will be lost.

Yet the solution to our problems is close at hand. We no longer need to stand guard over the world. We can relinquish our burdens provided we are willing to abide by collective security arrangements. In the new dispensation the United States would no longer occupy the pre-eminent position it enjoyed at the end of World War II, but it would still be a world leader. More important, the United States would reaffirm its commitment to open society as a desirable form of social organization and in so doing would rediscover the purpose that led to its creation in the first place.

It is ironic that the leaders of the Soviet Union should demonstrate greater devotion to the ideal of an open society than our own administration, but it is not really surprising. Freedom has greater value when one is deprived of it. Moreover, people in the Soviet Union have been cut off from the Western world since Stalin's time and have preserved Western values as they used to be, while in the West values have changed: the distinction between what is right and what is expedient has become blurred. Thus the advocates of *glasnost* can now provide the West with the inspiration it has lost. The fact that Stalin's system has contributed to the degradation of Western values adds to the irony of the situation.

A note of caution is necessary. The gap between Gorbachev's vision and the reality in the Soviet Union is wide enough to sink the concept of open society. It will require the active and

aggressive engagement of the Western world to bridge the gap, and even with the best will in the world, success is far from ensured. As we have seen, the best we can do is to slow down the process of disintegration so as to allow the infrastructure of an open society to develop. Gorbachev's failure would reinforce those who preach the gospel of social Darwinism and geopolitics.

Thus there are two ways to interpret the present situation, both of which are internally consistent, self-reinforcing, self-validating, and, of course, in conflict with each other. One of them stresses the survival of the fittest; the other advocates the merits of open society. Which of them will prevail depends primarily on the values that are applied. The outcome, in turn, will determine the shape of the world to come. We are truly at a critical decision point in history.

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In the wake of the Mideast conflict, a reassessment is in order. The Gulf War allowed the United States to resolve its crisis of national identity before the fact that a crisis existed had fully penetrated the national consciousness. It happened faster than one could have expected it. Saddam Hussein made it possible once again for the United States to be leader of the free world and superpower at the same time. President Bush rose to the occasion. He acted like a leader, ignored and overcame opposition both at home and abroad, mounted a brilliant military campaign, and won. It was fortunate for the world that the United States still enjoyed superpower status and was willing to deploy its military might against a serious threat to the world order. It was also fortunate for President Bush that the opportunity presented itself. It allowed him to put the awesome military machinery that the United States had built up against the Soviet Union to good use. No wonder that he acted with alacrity! He could demonstrate the superiority of American armaments; he could show the world that it needed the United States as a superpower; and he could give America a new sense of identity and pride.

Does this mean that the choice I posed is no longer valid? Did I present a false dichotomy in the first place? I do not think so. I believe the United States did have a choice, but the issue

has been decided even before the alternatives have been clearly understood. The United States has chosen to remain a superpower while its erstwhile opponent has ceased to present a global challenge. That means that there is only one superpower left and the world will be dominated by the United States. It is unlikely, however, that the United States will fulfill its role as leader of the free world. I would not see this point so clearly had I not identified the alternatives before the choice was made.

The difference between a superpower and a leader of the free world is that the former pursues its self-interest as defined by geopolitical considerations, while the latter is guided by the interests of the system as a whole. The United States has acted as leader of the free world in the past—what better example could one ask for than the Marshall Plan?—but is unlikely to do so now. Prevailing attitudes are very different today.

The idea of creating a new world order based on international cooperation has been discredited. Gorbachev had a vision of the two superpowers forming a grand alliance that would preserve world peace while allowing the Soviet Union to re-enter the community of the free world with Western help. But that vision has dissolved like a dream and its authors can be dismissed as idle dreamers. Shevardnadze has resigned and the foreign ministry has lost influence to the military within the Soviet Union. The United Nations has been shown up to be a fragile instrument. Superpower cooperation lasted barely long enough to give the United States authorization for action. The war itself had to be conducted by the United States acting as superpower. Europe failed altogether to behave as a political unit. Great Britain and to a lesser extent France lined up behind the United States, but Europe as an entity had no coherent policy at all. It is obvious that without the leadership of the United States, the attempt to bring Saddam Hussein to task would have failed.

The idea that the United States could provide leadership only if it behaved as a superpower received strong endorsement. International cooperation did not really work; but the gadgets developed by the military did. This conclusion merely reinforced the set of beliefs President Bush started with. After all, he was not responsive to Gorbachev's plea for cooperation and

aid, but he rose to the challenge posed by Saddam Hussein. Ironically, the Gulf crisis was the undoing of Shevardnadze and the end of new thinking in the Soviet Union, but that could not be helped. The new thinking was born of weakness and it was never viable; the world belongs to the strong.

It is hard to quarrel with this point of view, especially when it is victorious. Therefore it is likely to prevail. We are entering an era of American hegemony. But the flaws in the new world order are already visible. The discrepancy between the military power of the United States and its economic strength remains unresolved. Undoubtedly, the United States will derive some economic benefits from its military victory. The war itself proved to be good business, and there are lots of construction contracts to be had in the Middle East. But that is not enough to close the budget gap. A more permanent source of financing needs to be found if the United States is to continue acting as the world's policeman. In the good old days the strong could exact tribute from the weak; but those days are over. The attempt to impose war reparations on Germany after World War I had disastrous consequences; undoubtedly Iraq will be required to pay, but it may prove difficult to collect. In the past it was possible to obtain oil concessions, but to do so now would require a reversal of the trend toward self-determination. The main benefits of hegemony are to be reaped in trade. But the United States is not competitive enough and does not represent a large enough proportion of world trade any more. Similar considerations led Great Britain to withdraw from east of Suez after 1956.

Eventually the United States will be forced to engage in the kind of profound rethinking that ought to have occurred now. This may be fortunate for the world—a world order based on U.S. dominance is much better than no order at all—but it may prove unfortunate for the United States. It will continue losing competitiveness, and its economy will become increasingly dependent on its military position. When that position finally becomes unsustainable, it may be too late to rebuild the economy on a new basis, and world leadership is likely to pass into different hands. At that point the United States may be ready for new thinking—but only from a position of weakness.

