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HORIZONS

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AMERICA AT CROSSROADS



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THIS is a “season of darkness.” That grave statement resonates both like a moral indictment and a description of something sinister afoot. Indeed, it sounds more worrisome than Jimmy Carter’s 1979 somber portrait of “growing doubt about the meaning of our lives and the loss of a unity of purpose for our nation.” The malevolent may even compare this to Ronald Reagan’s characterizations of the Soviet Union. And yet those words were neither directed at a foreign country nor spoken by an enemy. Rather, they were uttered by a U.S. presidential candidate placing the blame for America’s stumbles squarely on his opponent’s shoulders.

YET the divisions plaguing America predate the arrival of the current occupant of the most powerful office in the world. They are unlikely to be overcome simply by his departure, whether now or in four years: the season of political renewal will not occur merely by the passage of time. After all, neither did the unipolar moment end on his watch nor did the doctrine of global indispensability come to a halt with his election. Fervent geopolitical rivalries did not suddenly reappear as he took the oath of office, and the sclerotic state of multilateral institutions did not abruptly manifest during his term.

SIMILARLY, inequality of opportunity and social injustice are not novel challenges to the American body politic. The Black Lives Matter movement may be new, but the tradition of vigorously demonstrating for change has a long and storied history. Debates on tax, trade, wage, law enforcement, and immigration policies are hardly new, either. Distrust in government is likewise a longstanding issue, as is the deterioration of the country’s infrastructure. The media landscape has been polarized for many years, and the corrosive effects of special interests on the conduct of the affairs of state go back a century or more.

NONETHELESS, the present moment feels particularly disorienting. Hence the overriding theme of the present edition of *Horizons*: “America at Crossroads.” Perhaps the absence of clear leadership in the fight against the coronavirus pandemic, both at home and abroad, has brought to bear a heightened sense of urgency. America appears to be in a state of woeful tornness, to paraphrase one of our distinguished contributors. All told, and however much they may disagree on particulars, the authors we feature in these pages hold in common a disquieting feeling that the country is in a singularly profound crisis.

THEY nevertheless appreciate that America remains the world’s leading power and that, for many around the globe, the United States retains its attraction “as a city upon a hill.” Consequently, much of the world will join those who cast their vote in trepidatiously awaiting the outcome of this November’s plebiscite. Its result will likely determine the course of events for years to come not only in America, but for all of humanity.

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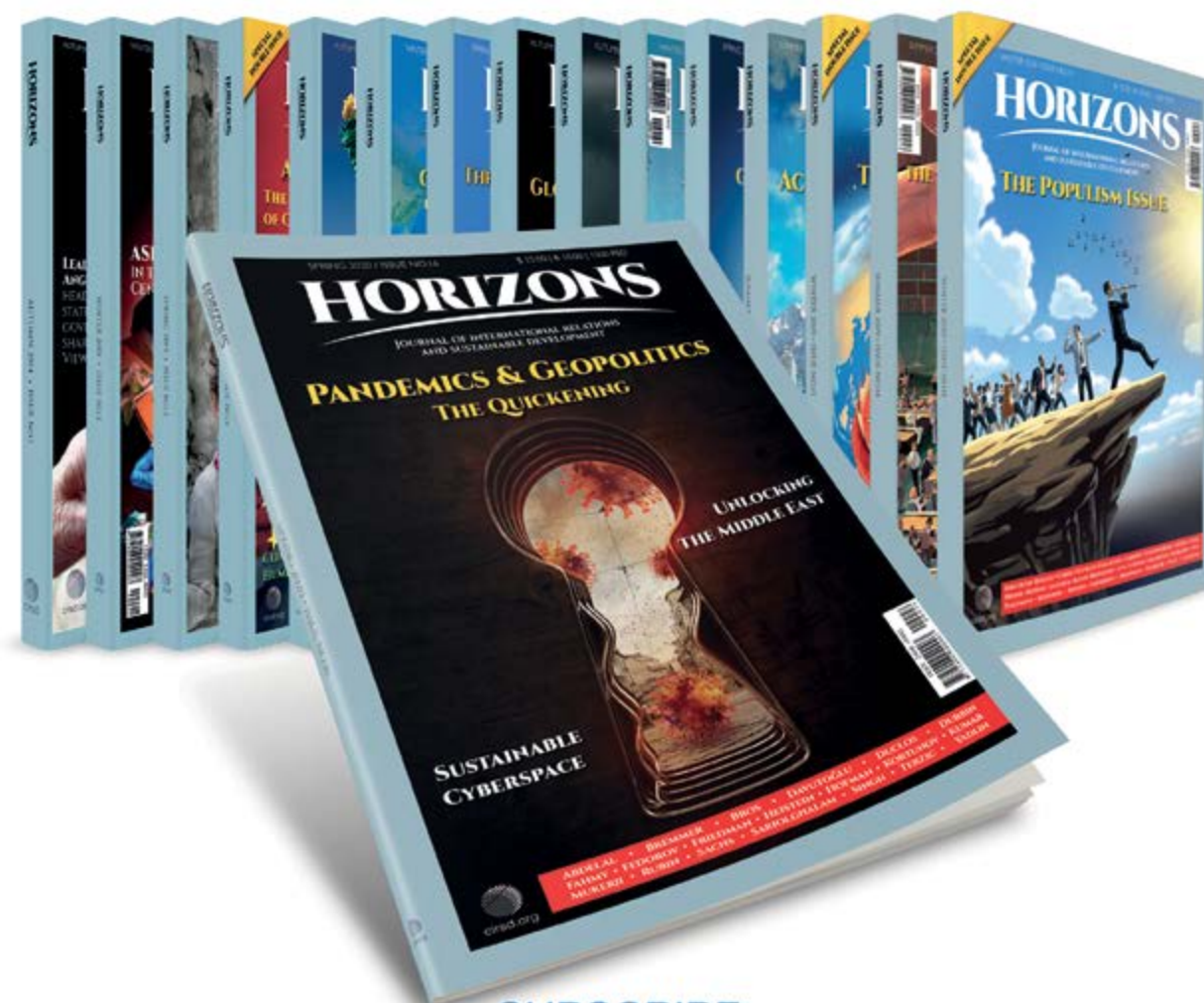
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AMERICA TRULY AT THE CROSSROADS

Bret Stephens

THERE have been periods in history when the great challenge facing America has been to define its relationship with the world: the arguments between isolationists and internationalists on the eve of World War II come to mind. There have also been periods, such as the racial and generational struggles of the 1960s, when the great challenge for America has been to define its relationship with itself.

This year, America faces both challenges at once.

As I write, in September 2020, the United States has the feel of a country coming apart. That's not an easy sentence to write—because of what it implies; because it could still be avoided; and because it would have seemed preposterous just a few months ago. Yet, ever since the horrific killing of George Floyd by a Minneapolis police officer on 25 May 2020, nearly every day has

brought new scenes of urban unrest: a mixture of political fury and ordinary lawlessness that seem to connect like lightning and deadwood. And nobody in the political fray, right-wing or left-, seems to have any interest in either cooling off or backing down.

The scenario now likeliest to bring America to grief would begin on election night, with Donald Trump seizing on early results to declare himself the victor, even as mail-in ballots—which in recent years have leaned Democratic and which Trump has insisted are vulnerable to fraud—have yet to be counted (the reason is rooted in state legislation that prohibit counting mail-in ballots prior to election day, irrespective of when they are received).

Next, the election could become mired in lawsuits reminiscent of the Florida recount contest in 2000, this time in a half-dozen states with sharply polarized

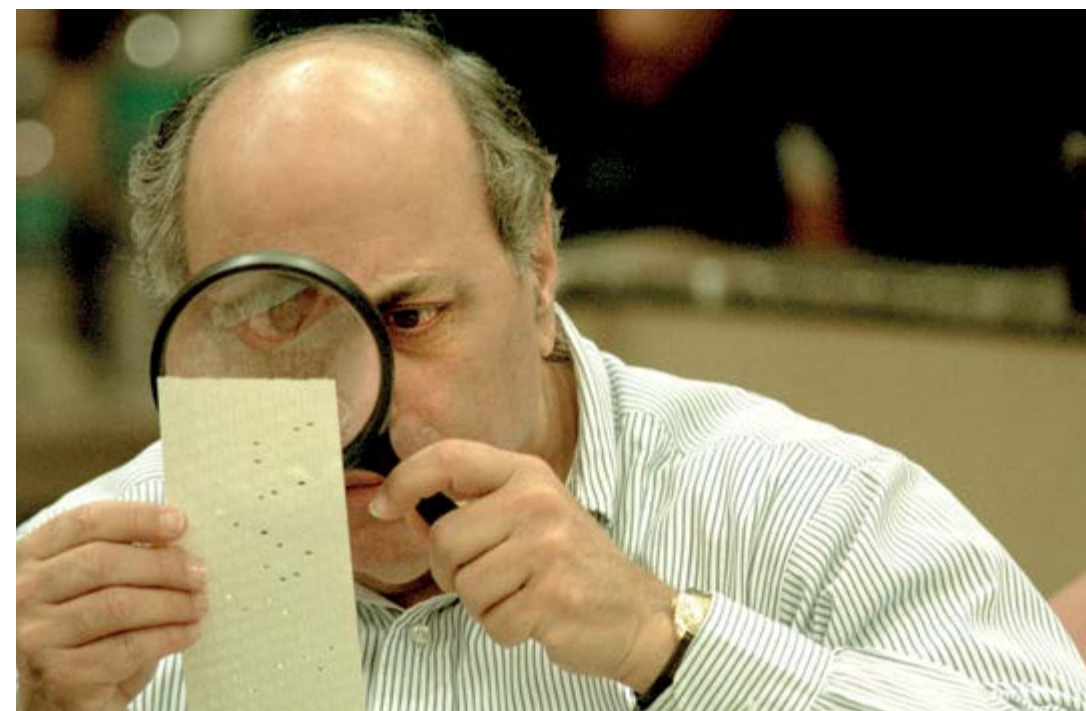


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Remember the hanging chads of the 2000 election?

and evenly divided electorates. Courtroom battles might then attract massive protests and counter-protests—which could quickly break out in brawls and shootings. Police might shoot and get shot. Should the police's civilian masters fail to back them, many might go on silent strikes and refuse to maintain public order. Neighborhood vigilante groups would spring up in hundreds of neighborhoods to maintain security. Trump could declare a national emergency to federalize the National Guard, while Democratic state governors could respond by rejecting this Trumpian declaration and assuming command of their own National Guards.

And on to the catastrophic denouement: Trump might call upon the military to intervene. Some generals would follow the president, but others might not. His opponent, Joe Biden, could declare victory as the United States hurtles toward an inauguration day in which two bitter rivals claim the right to take the oath of office.

I do not offer this scenario because I am fully confident that it will come to pass: political prediction is still a lousy science. But the fact that the scenario is even plausible tells us that something has gone terribly wrong in the United States. Diagnosing the

Bret Stephens is an Op-ed columnist for The New York Times. He won the Pulitzer Prize for commentary in 2013 and is the author of America In Retreat: The New Isolationism and the Coming Global Disorder (2014).

disease must begin with the recognition that, whatever else one might say about him, Donald Trump is not so much a cause as he is a symptom.

The question is: a symptom of what?

CRISIS OF LEGITIMACIES

The answer, in the broadest sense, is a crisis of legitimacy—or perhaps “legitimacies,” plural, is more accurate. It is a broad crisis. What follows is a partial enumeration of the elements of these crises.

The left questions the legitimacy of police departments, with calls to defund the police gaining traction nationwide. The right questions the legitimacy of the Federal Bureau of Investigation, claiming that the FBI used the mechanisms of the “deep state” to organize a conspiracy to bring down an elected president. The left questions the legitimacy of domestic capitalism, with widespread calls to “cancel billionaires” while democratic socialism becomes a surging ideological force. The right questions the legitimacy of global capitalism, which it derides as “globalism” and opposes by way of protectionist trade policies. The left is increasingly hostile to the principle of free speech,

seeking to cancel appearances—and careers—of writers or speakers it deems offensive. The right is increasingly hostile to much of the news media, which Trump has described as “an enemy of the American people.” The left believes

that Republicans intend to steal the election by means of voter suppression. The right believes that Democrats intend to steal the election by means of mail fraud. The left questions the legitimacy of America’s founding fathers, seeing them not simply as flawed but inspiring creatures of their time, but as inveterate white supremacists who should be knocked,

often quite literally, off their pedestals. The right questions the legitimacy of the open society, including a repudiation of America’s traditions of welcoming immigrants and hostility to Constitutional principles such as the Fourteenth Amendment’s guarantee of birthright citizenship.

At the most fundamental level, the left questions the legitimacy of the right *in and of itself*, and the right questions the legitimacy of the left *in and of itself*. Each camp sees the other not just as an opponent but an enemy, and not just as an enemy but as

As I write, in September 2020, the United States has the feel of a country coming apart. That’s not an easy sentence to write—because of what it implies; because it could still be avoided; and because it would have seemed preposterous just a few months ago.

a mortal one. This is the delegitimization of the idea that alternations in power are essential for a healthy politics, not fatal to it. It’s the delegitimization of the democratic idea itself.

Such delegitimizations did not come about overnight, or even over the last four years. Nor did they stem from quarrels with the status quo that are themselves illegitimate. There is always “a great deal of ruin in a nation,” as Adam Smith famously observed, and that’s as true in the United States today as it has been at most other junctures in history. Many police departments *do* need reform; the FBI did *not* honor its own rulebook when it launched its investigation of the Trump campaign; there *are* dangerous wealth disparities. And so on.

But there are four significant differences between today’s discontents and past ones. The first is the growing appetite for destruction: significant social and political movements on both the right and left no longer seek to reform the traditional institutions of American life. Instead, they seek to eliminate them, usually without any clear idea of what ought to replace them. The second is that the things at risk of being destroyed are the very things that typically keep healthy societies together—the ties

of history, citizenship, law, culture, enterprise, place, obligation, ideals, epistemology, and even the sheer entropy of our daily routines. The third is that all of these stresses are occurring simultaneously. And the fourth is that they are occurring simultaneously in the midst of a once-in-a-century pandemic, raw racial unrest, and the most severe economic crisis in over a generation.

Each camp sees the other not just as an opponent but an enemy, and not just as an enemy but as a mortal one.

IMPLAUSIBLE SCENARIOS

And so the United States moves toward an election that, should the result be close and contested,

could prove catastrophic.

Still, let’s assume that the margin of victory for either Trump or Biden is sufficiently wide as to leave no doubt about the legitimacy of the outcome, and the next inauguration takes place in relative peace. What happens then?

One scenario: a decisive Biden victory leads to a cooling of political temperatures. Biden sets a moderate, inclusive tone for his administration, gently but clearly distancing himself from the Democratic Party’s radical fringe. A chastened Republican Party comes to terms with the blunder it made in embracing a reckless nationalist as its standard bearer and finds its way back to a better version of itself: Reaganesque

in its optimism, Eisenhowerian in its prudence, Lincolnian in its commitment to the country's founding ideals of equality and opportunity. The pandemic is overcome; racial tensions ease; life and politics return to more normal versions of themselves.

Another scenario: a come-from-behind Trump victory brings the left to grips with the realization that Trump is not an illegitimate

president, and that efforts to destroy his administration through endless investigations are a fool's errand. The left also comes to see the damage it has done itself by adopting an aggressive form of identity politics and political correctness that rubs many Americans wrong. Trump mellows his tone somewhat, the country recovers economically, and the country moves along.

Both scenarios, however, are implausible. An overwhelming Biden victory may chasten some Republicans about the perils of aligning their party behind a populist demagogue. But other Republicans will argue that Trump's real mistake was that he didn't go far enough, meaning the party should steer even further to the right. A Biden victory, particularly if accompanied by Democratic majorities in both houses of the U.S. Congress, could also lead to sweeping progressive

legislation (e.g., the Green New Deal, Medicare-For-All) that would further alienate Republicans and polarize the nation.

As for the prospect of a Trump victory, large segments of the Democratic base will not accept it as legitimate under nearly any circumstances. The "resistance" will protest in huge numbers in the weeks following the

election, and some of the protests may descend into violent rioting and looting. Trump will not be magnanimous in victory; he will raise the political temperature with his tweets and pursue a legislative agenda that will almost surely enrage the left.

In short, regardless of who wins in November, it is difficult to imagine a meaningful change in the course of American politics. Something else will have to happen. But what, exactly? And how?

RECLAIMING THE CENTER

The answer to the first question is that, somehow, Americans will have to find their way back to a set of once-cherished understandings about our national identity. The broad outlines of this understanding of national identity can be sketched out in the following manner.

Americans will have to find their way back to a set of once-cherished understandings about our national identity.

The United States is a country in which our goals matter more than our origins. We cherish our personal liberty above the claims of ethnic, racial or tribal belonging. We welcome immigrants from all corners of the globe provided they live within the law and adopt our democratic values as their own. We honor our imperfect founders for championing ideals that were radical in their time and true for all time. Our pursuit of individual happiness does not blur our concern for social fairness. Our exceptionalism as a nation lies in the fact that we are *not* a nation, as nations are traditionally understood. We pursue prosperity not only for its own sake, but also so that we may be generous with it. We believe in equality of opportunity not outcome. Our differences don't erase a shared sense of citizenship and an overarching sense of common destiny. We reward initiative and excellence, while also taking care of those who suffer tragedy and loss. We are a land of second chances. We see America in all of its failings and flaws and excesses and shortcomings—and care for it as the last best hope of earth.

In short, we believe, as Bill Clinton put it in his first inaugural, that "there is nothing wrong in America that can't be cured by what is right in America."

These understandings used to be commonplaces. Today the feel antiquated. The cultural and political shift

that has overtaken much of the United States in recent years—captured in the archly dismissive Millennial line, "Ok, Boomer!"—is arguably no less sweeping than the shift that took place in the late 1960s, though it lacks much of the patriotic idealism and sheer courage of the civil-rights movement. Millions of younger Americans in particular have come to think of the United States as a country saturated by racism, run by a demagogue who is in turn controlled by a foreign power, founded by hypocrites, and benefiting the few at the expense of the many.

A second Trump term is almost certain to further entrench this view. A Biden Administration could do better and would enter office on a wave of relief at Trump's departure. But it would face skepticism on the far left and entrenched, bitter, and probably ugly hostility on the right.

That is when America will come to its decisive crossroads—when a President Biden will have to make the choice between governing in the moderate and conciliatory vein in which he has campaigned, or in the increasingly leftist vein of the party to which he belongs. Biden has more than once described himself as a "transitional" figure, in reference to his age and the likelihood that, if elected, he will be a one-term president. But he has been vague on the question of what he thinks he should

be a transition to: a new era of ambitious (and costly and controversial) government-led change, or the restoration of conventional governance, with at least occasional bipartisan legislative successes.

The political temptation for Biden will be to move left. Democrats will want not only to undo the legacy of Trump's tax cuts and deregulatory agenda, but also to underwrite a massive expansion of Medicare and an ambitious climate agenda. If achieving this requires an end to the Senate filibuster, they will want to do that as well, even as they know it might cost them dearly once Republicans control the White House and Senate.

But the more meaningful opportunity for Biden—which ought to tempt him all the more if he can govern for his-
tory's sake, rather than for the sake of re-election—will be to reclaim the political center, and to do so in a manner that allows the country to rediscover its own center once again. As a matter of *politics*, he can set a tone by appointing Republicans to his cabinet, not just those who supported him, like former Ohio Gov. John Kasich, but even—perhaps especially—those who currently oppose him. As a matter of *domestic*

policy, he can pursue viable bipartisan immigration reform, trading increased border security for a viable path to citizenship for undocumented workers. As a matter of *foreign policy*, he can craft a bipartisan security doctrine that takes the threats of Russian irredentism and Chinese expansionism seriously and seeks to counter it by forceful diplomatic, economic, and, if necessary, military means.

The more meaningful opportunity for Biden will be to reclaim the political center, and to do so in a manner that allows the country to rediscover its own center once again.

But the largest opportunity for Biden is neither a matter of politics nor policy, but rather one of pedagogy. In the spirit of presidents Franklin D. Roosevelt and John F. Kennedy, Biden needs to remind ordinary Americans of why patriotism matters and how it should be practiced—not boastfully but purposively; not selfishly but generously; not un-self-critically but with a view toward national repair and renewal.

It is one of the oddities of American life that we simultaneously venerate great political oratory while treating it as superfluous at best to the core task of governance. In fact, the two are intimately linked: great oratory is how nations give meaning to their past and purpose to their future. Such oratory needs to be connected to a new emphasis on civic education and

greater opportunities for public service, civil as well as military. A Biden Administration that inaugurated a twenty-first century version of the Civilian Conservation Corps with a focus on environmental stewardship, or that created opportunities for short-term military service (including for those past the age of military service), would leave a national imprint that would last far longer than a four-year presidential term.

RESTORING SOCIAL TRUST

All this may seem far afield from America's immediate crises. What, after all, does great patriotic oratory or robust civic education have to do with ending a pandemic, reducing unemployment, or easing racial tensions? My answer is that it is essential to their resolution, because no nation can address any challenge without social trust.

A Biden presidency will succeed or fail based on that criterion alone. The question can be formulated this way: will it lead to increased levels of social trust that allow a diverse set of political actors and movements to behave somewhat more cooperatively? Or will it be yet another centrifugal force in American

politics, leading to ever-greater levels of social distrust and animosity?

What goes in America's domestic politics goes also for its relations with, and position in, the wider world. Although the Trump

Biden needs to remind ordinary Americans of why patriotism matters and how it should be practiced—not boastfully but purposively; not selfishly but generously; not un-self-critically but with a view toward national repair and renewal.

Administration has had occasional successes abroad—brokering peace between Israel and both Bahrain and the United Arab Emirates being the most obvious example—its most notable contribution to American diplomacy has been to discredit the idea that the United States deserves its place as the world's premier

power because of the inherent attractiveness of its ideals and the decency of its purposes. The Ugly American has been much spoken about in the past, but in the administration of Donald Trump he has definitively arrived.

A Biden presidency alone will not repair the breach that the Trump presidency has created between America and the world. Though it's rarely commented on today, the Obama Administration also did its part in alienating longstanding allies (particularly in the Middle East) and undermining confidence in American security guarantees (particularly in eastern Europe).

But Biden needn't be beholden to Obama's cramped vision of American foreign policy. It is possible to match realism about the necessity of American power in a world of near-peer competitors with renewed idealism about the purposes of that power. Such idealism can, in turn, restore global faith in American leadership, at least when it's accompanied by habits of close consultation, fair dealing, burden sharing, and shared faith in liberal-democratic ideals.

It is possible to match realism about the necessity of American power in a world of near-peer competitors with renewed idealism about the purposes of that power.

Today, in an era of waning confidence in democratic institutions and open societies, rising populism and public misinformation, and revisionist regimes with revanchist aspirations, American leadership, steadiness, and self-confidence have never been more necessary. But as it was proverbial 2,000 years ago, so it remains today: "Physician, heal thyself." For the United States to again find its footing in an uncertain world, it must first find a way to restore its shaken faith in itself. ●

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CLIMATE CHANGE, CHINA, AND AMERICAN CIVILIZATION

Jorge G. Castañeda

IT HAS been claimed that the truly distinguishing feature of the United States has always consisted in being a middle class society. Not an ordinary one: rather, a society that allowed and encouraged equality for many, and exclusion for the rest. Who the rest were was no secret: Native Americans, enslaved peoples from Africa, disenfranchised, dispossessed, and discriminated-against women, African Americans, Mexicans, and subsequently other Latinos, plus Chinese, Muslims of many lands, and more.

With time, different cohorts of the excluded were brought into the fold, or elbowed their way into it. Some are now closer to equality, though still far removed: women in general, white women in particular. Others are still waiting. But for those inside the fold, a majority of the population enjoyed a common trait, and it was not poverty. It was the fact of equality, though not the aspiration to it or the thought of it.

(IN)EQUALITY

Over the years, that equality was transformed by the gradual inclusion of groups of the once excluded, and distorted by the appearance of immense wealth for a few, particularly from the Gilded Age onward. These two processes, however, did not fundamentally alter the basic equation. This boiled down to a large middle class; a small, fabulously affluent minority; and enough poor people gradually and repeatedly brought into the system to promise a minimum of social mobility but also to provide the low-skill, low-wage labor indispensable in a market economy.

The country constructed a political system to match this configuration. Little by little, it established the holding of relatively free and fair elections for most executive and legislative offices. Everyone inside the system participated on equal grounds, while those on the outside did not participate

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Photo: Creative Commons

Pediment entitled "Western Civilization" on the building of the Philadelphia Museum of Art

at all. Gradually, the franchise was extended: to non-property-owning males, to freed slaves (only for them to be de facto deprived of it soon after), to women, Hispanics, and other newcomers. Those in the system were, once again, pretty much all alike. Those who were different found themselves for long periods denied entry to that system.

Until the early 1960s—and with the exception of certain New Deal reforms (for example, Social Security)—given limitless available resources, an immigration spigot that could be turned on and off at will, and a weak labor move-

ment, the great American middle class functioned as a substitute for a welfare state comparable to that of other rich countries. With full employment, high wages, and the exclusion of broad minorities with scant political clout, there was no real need for health care for all, a decent pension for everyone, proper unemployment compensation, and so on. In the 1960s, Medicare, Medicaid, and food stamps joined Social Security as the scaffolding of the bare-bones American welfare state that thrived during the three odd decades starting with the end of World War II: the American equivalent of France's "trente glorieuses."

Then the spell was broken. For a series of reasons including Ronald Reagan's economic and social policies, globalization, and a relative loss of American competitiveness, and the rising influence of lobby groups, starting from the Nixon years, inequality began to rise, wages and real overall income stagnated, and the middle class ceased to expand, and perhaps even to shrink.

These trends have persisted until today. They partly explain Donald Trump's election in 2016.

The need for a plain-vanilla welfare state like elsewhere became apparent, as American society started resem-

bling everybody else's. The comparison with France is illustrative. Both countries were roughly as unequal before the Great Depression; inequality rose enormously during the 1930s. But after World War II the United States became significantly more egalitarian than France. Then came 1980. Inequality began to rise dramatically in the United States, but remained relatively stable in France. The trend has persisted.

But this was not evident to everybody in mainstream American politics. In fact, the middle class substitute for a cradle-to-grave welfare state was quickly disappearing. In 2019, however, something changed. In one way

or another, the principal Democratic contenders for the Presidency in 2019-2020—even Joe Biden—espoused many of the tenets of a modern version of that welfare state. So much so that Trump and the Republican Party centered their attacks on them for seeking to bring socialism to America, something that conservatives believe should never be allowed to occur.

Until the early 1960s the great American middle class functioned as a substitute for a welfare state comparable to that of other rich countries.

The programmatic proposals offered by many of the presidential contenders in the 2019-2020 Democratic nomination campaign also pointed in that direction. The most obvious example was Medicare

for All, or a National Health Service, or a single-payer health care system. They did not all mean exactly the same thing; several candidates did not agree on the details, or simply did not spell them out. But they had all learned the lesson of Barack Obama's attempt to fix the American health care disaster with half-way measures, albeit the only ones possible at the time. Democratic politicians seeking the White House took far more ambitious stances. Previously existing fringe positions entered the mainstream.

The same was true for other issues: universal childcare and parental leave, a wealth tax on fortunes over \$50 mil-

lion; free public college tuition for all; raising marginal income taxes back to levels pre-dating Ronald Reagan, George W. Bush, and Donald Trump; a carbon tax on non-renewable energy sources; almost doubling the minimum wage. All of these promises were exciting, innovative, disruptive, and would have been considered appropriate only for the extreme fringe as recently as 2016. They would not create an American welfare state overnight, but as the conservatives said, tended to reshape the United States as Denmark, or Scandinavia and Europe in general. The Green New Deal also fit into this narrative.

COVID-19, as Warren Buffett might have said, was like a financial crisis or low tide: only when the tide moves out can you see who is wearing a bathing suit.

CLIMATE CHANGE

Then came the pandemic. It made the necessity of (re)constructing an American welfare state much more acute. COVID-19, as Warren Buffett might have said, was like a financial crisis or low tide: only when the tide moves out can you see who is wearing a bathing suit. The coronavirus revealed what many knew or suspected, but also what many denied: the social safety net in the United States was woefully torn, and was dramatically shredded by the ravages of the virus. It hit the neediest—African-Americans, Latinos, poor whites—harder than anybody else, and in all walks of life:

health care, education, childcare, unemployment insurance, professional training, nursing homes, and so on. If Biden and the Democrats thought before March of 2020 that a major overhaul of the American social safety net was necessary, this became all the more obvious once the true effects of the pandemic became known.

Building this new welfare state, which might have appeared illusory or naive before the election and the pandemic, is probably a necessary condition for dealing with the other three major challenges the United

States faces in the coming years. Two are of an international nature, but with huge domestic consequences. The first and foremost is climate change.

The Trump years notwithstanding, it seems increasingly clear, in Washington State and California just as in Germany and Holland, that there is an effective national and international approach to climate change, different from Trump's totally useless, impotent one. Disbelieving climate change, leaving its diminishment to the market or seeking purely national solutions to it—what many have done over the past half-century—leads nowhere. The global essence of the issue, its public goods nature, and the cost of any of the

conceivable tools necessary to face the challenge all demand a level of social and governmental coordination such as is emerging in Western Europe and on the American west coast. The Chinese solution—supposing it is one—is simply unacceptable to societies accustomed to democratic governance.

Taxes, international cooperation and enforcement, stringent regulation, civil society participation, major public sector investment in renewable energy and new technologies, are all better suited to a modern welfare state than to the more free-market, laissez-faire, deregulated American status quo. In this case it is not the stagnation of the middle class that brings up the need for change; it is a new phenomenon singularly unsuited to the old American scheme.

The relative success California has enjoyed on environmental matters in general, and in combatting climate change in particular, can be partly attributed to the coastal “state of mind,” but much more so to state legislation approved and paid for by Californians for decades now. In this regard, and all power to it, California is a bit like Denmark, Germany, Holland, and Washington State. All of these entities are combatting climate change effectively, ambitiously, and through a comprehensive approach. It is difficult to envisage a national, American approach to this immense threat

to everyone’s wellbeing, and notably that of the younger generations, that can be much different. Which implies building a truly American version of a modern welfare state.

CHINA

Secondly, unlike the fears of previous “declinists” during the twentieth century, which mostly turned out to be exaggerated, there is a long-term issue with China, accompanied by short- and medium-term implications. Demographics are not mechanical nor automatic, but a nation with four to five times more inhabitants than the United States, and a growing industrial and technological base, is eventually bound to catch up with its rival. The key question is obviously the word “eventually:” next month, next year, or thirty to forty years from now. If, as most experts surmise—i.e., if America has sufficient time to adapt to this approaching challenge—the sticker shock of Chinese parity should be more than manageable.

Militarily, even if practically half of all Americans think their country is “only one of several leading military powers,” they are wrong. China, in particular, possesses nowhere near the American capacity to project power on the seas, the air, space, and even on land away from its own perimeter or in cyberspace. Its economy, measured in per capita terms, thus controlling for

population, is infinitely smaller than the American one. Technologically, despite ambitious plans for the future and undeniable advances in recent years, Chinese firms and/or the state are not yet in the United States’ league.

Washington harbors undoubted vulnerabilities today, especially in the financial field, but most extrapolations of past growth into the future have proved unreliable. Lastly, Chinese soft power, while rising, is light years away from the potency of American civilization, despite significant efforts such as the Belt and Road

Initiative, the Asian Infrastructure Investment Bank, Chinese-language missions in Africa, the String of Pearls plan, and multiple bilateral agreements. China, in these areas of international endeavor, is not yet ready for prime time.

None of which implies that the challenges are not real, nor that psychologically and even culturally, Americans are ready to navigate these uncharted waters. The United States has not faced a perceived threat to its hegemony since the Cold War; there has been no real menace to that hegemony since World War I. The Soviet Union did not pass muster as

a credible rival, brouhaha, red scares, and all. Addressing this unfamiliar experience is not something great powers manage easily: witness Britain, France, and Russia today.

On occasion, this implies sacrifice, not necessarily in human lives—though that too can take place—but in resources and burdens many Americans do not want to shoulder. Surveys by the Center for American Progress and the Eurasia Group in 2019 discovered what American foreign policy priorities should be and are in the minds of ordinary citizens. The rivalry with

China did not truly figure; almost all of the top issues were “negative:” stopping bad things from happening. The young were the most adamant. They were particularly reluctant to see the United States attempt to prevent human rights abuses. Even Trump’s tariffs on Chinese exports to America were not well received by consumers, and were disapproved by U.S. exporters to China hurt by Beijing’s reprisals.

As time passes, the adjustments to the end of single power hegemony will become more painful, though none that can be foreseen today will be fatal. But without fixing the store at home, they will be much more difficult to face.

After responding to the challenges of climate change and China, consolidating, deepening, and strengthening American civilization represents an additional pending task.

CIVILIZATION

Thirdly, after responding to the challenges of climate change and China, consolidating, deepening, and strengthening American civilization represents an additional pending task. Defining it remains complicated; describing it is often simpler. Fatima Asghar, a Pakistani-American writer and poet gets it right when she attempts to define her belonging to that civilization when it is viewed from abroad, instead of when she is seen from within: "I both belong and don't belong to America. When I'm in America I'm constantly reminded that I'm not actually from here. But when I'm abroad, I feel the most American I've ever felt: hyperaware that my cultural reference points are American, that I can't shake my American entitlement, that once I open my mouth and talk, I am perceived as an American." She is perceived as a member, representative, and expression of American civilization, even if in her own country she does not feel a part of it.

American civilization will encounter new threats or challenges, starting with those that began on 9/11; though present before, they became dangerously evident after that date. Inevitably, resistance to the growing presence of American civilization will swell. Some of the societies that for different reasons seemed amenable to the influence of American civilization are transformed—partly by that civilization—

and will react negatively to what they view as excessive proximity.

As we have all seen with Trump, now and then what the world may consider as the most unattractive features of American civilization will come to the fore. They will provoke responses even among those nations closest to the United States. There will be issues of inclusion and exclusion within the *limes*. The strongest traits of this civilization—a certain type of economy, representative democracy, respect for human rights, freedom of expression, a large, though shrinking middle class, mass culture, and consumption—may be criticized or rejected on their own merits. Or some societies might discard them precisely because they are inherent to American civilization.

America will find the appropriate answers to these questions and conflicts if and only if it is able to show the world that among its many virtues, the inherent capacity to constantly re-invent itself is perhaps the most seductive one. This implies addressing the age-old challenges still awaiting a solution—racism, violence, an aggressive and unilateral defense of perceived national interests abroad, insularity and retrenchment when things go awry at home, disrupting the environment. Reinventing itself also entails jettisoning exceptionalities that have no place in the modern world, much less so in American civilization:

guns, mass incarceration, the death penalty, the recurrent war on drugs. These are, by definition, anachronisms that should no longer have a place in a society that claims to be world's most modern, and probably is.

TWO-WAY STREET

The lasting triumph and enhanced longevity of American civilization will come when Americans themselves acknowledge the decline and end of their difference with the rest of the world—or at least with its rich countries. Accepting that it has become like every other wealthy nation is both an arduous task for any society, and one that has

been underway for some time in the case of the United States. It is especially strenuous for a society that was born with the ingrained notion of exceptionality, and that has sought to reproduce it from generation to generation

This is, obviously, a two-way street. As the classic author Mary Beard described a previous process: "the interaction between Rome and other cultures in the empire is striking for the variety of forms it took and for the very diverse hybrid versions of Roman [...] culture [...] that were the result." Affluent European

and Asian countries are also changing and converging with the United States, whether in regard to issues of climate change, poverty, inequality, immigration, violence, drugs, rights for all, or many others. The narrowing and gradual elimination of differences does not mean that all countries will become the same.

The strongest traits of American civilization: a certain type of economy, representative democracy, respect for human rights, freedom of expression, a large, though shrinking middle class, mass culture, and consumption.

This has been occurring in the rich world over the past decades, and even in some countries—geographically in the case of Mexico, for example, or economically with East Asia.

The process involving greater proximity to American civilization will not be exempt from perils and unpleasant consequences. Those

nations that do not participate in it are increasingly likely to resent it, and react negatively to its progress. The gap, if not the clash, between civilizations, might be exacerbated by this evolution. This exacerbation may incorporate forms of exclusion and rejection that no one should approve of or countenance. It is also an uneven process. American civilization is rapidly expanding into China and India, which comprise more than one third of the world's population, but where it is also generating antibodies. Which brings us to a final point about the *limes* and civilization.

French author Régis Debray stresses how Rome—the civilization as such, not the republic or the empire—transformed itself over the centuries, in the eastern (Byzantine) and western empires, as well as how it uniquely adapted to new circumstances. As he reasons:

“[Emperor] Caracalla (for whom the famous baths of Rome are named) was mad, but extending citizenship to all of the Empire’s free men (in 212) was wise.” The extension of the *limes* changed Rome, and Rome of course changed the location and nature of the *limes*. A civilization is influenced by those beyond

the *limes*; the exchange works both ways. The main point, as a recent historian of the Pax Romana framed it, is “that people living as far apart as the Tyne and the Euphrates may have watched the same stories and hummed the same tunes.” Or from the Hudson to the Yalu.

American civilization, and the United States as a nation, are both being modified by what lies beyond the borders and the hinterland of the “empire;” like Rome, at least until the very end, for the better. It could not be otherwise, if we are to take the notion of an American

civilization seriously. From the most immediate, nearest and simplest impact (i.e. the growth of Hispanic influence on the mores of American society: language, cuisine, music, sports), to the more complex and contradictory (how the United States responds to climate

change, and domestically and in foreign policy to China’s rise and its gradual Americanization) America is less of an island than ever before. Being Rome means extending the language, taxes, the roads, the legal code, military practice and aqueducts, hygiene, and amphitheaters across the world, but also receiving the inspiration and impulse of

the northern neighbors, the Christians, and eventually the Eastern Empire.

Will American civilization last as long as Rome—either the empire or civilization? Certainly not, if only for demographic reasons. But it has a long way to go still, especially if it shows Rome’s adaptability, and understands what American civilization is, and what it still lacks to consolidate it. A fulfilled modernity would perhaps be the best name for what is missing. The journey toward that modernity—and full-fledged civilization—is underway. It will be arduous, but ultimately successful. ●

The process involving greater proximity to American civilization will not be exempt from perils and unpleasant consequences. Those nations that do not participate in it are increasingly likely to resent it, and react negatively to its progress.

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DEMOCRACY OR PLUTOCRACY?

AMERICA'S EXISTENTIAL QUESTION

Kishore Mahbubani

IS the United States of America still a functioning democracy or has it become, for all practical purposes, a plutocracy? And why is this question important? It's important because the answer to the question of whether America has a dark or shining future will depend on whether it's a democracy or plutocracy. Indeed, this question may well be the most existential question America has to address.

Let's begin to answer this question from the very beginning. What is the actual difference between a democracy and a plutocracy? In a democracy, the masses broadly determine their future. Equally critically, in terms of the economy, society, and political system there is a level playing field where the working classes, middle classes, and affluent elites compete. The term "level playing field" is absolutely critical here. Many Americans believe that their economic and political systems create a level

playing field in which the poor and disadvantaged can rise to the top. This is also why there is no social resentment of billionaires in America. Most Americans believe that they have an equal opportunity to become billionaires. So the first big question we need to address is this: is there a level playing field for the poor and rich?

The honest answer is no. Today, when working class or even middle class Americans have to compete with the affluent elites, they are not competing on a level playing field. They have to run uphill to score goals. By contrast, the affluent elites run downhill as the playing field is tilted in their favor. Writing in the *Financial Times* in June 2019, Edward Luce provides one statistic to drive home this point: "Studies show that an eighth grade [i.e. a 14-year-old] child from a lower income bracket who achieves maths results in the top quarter is less

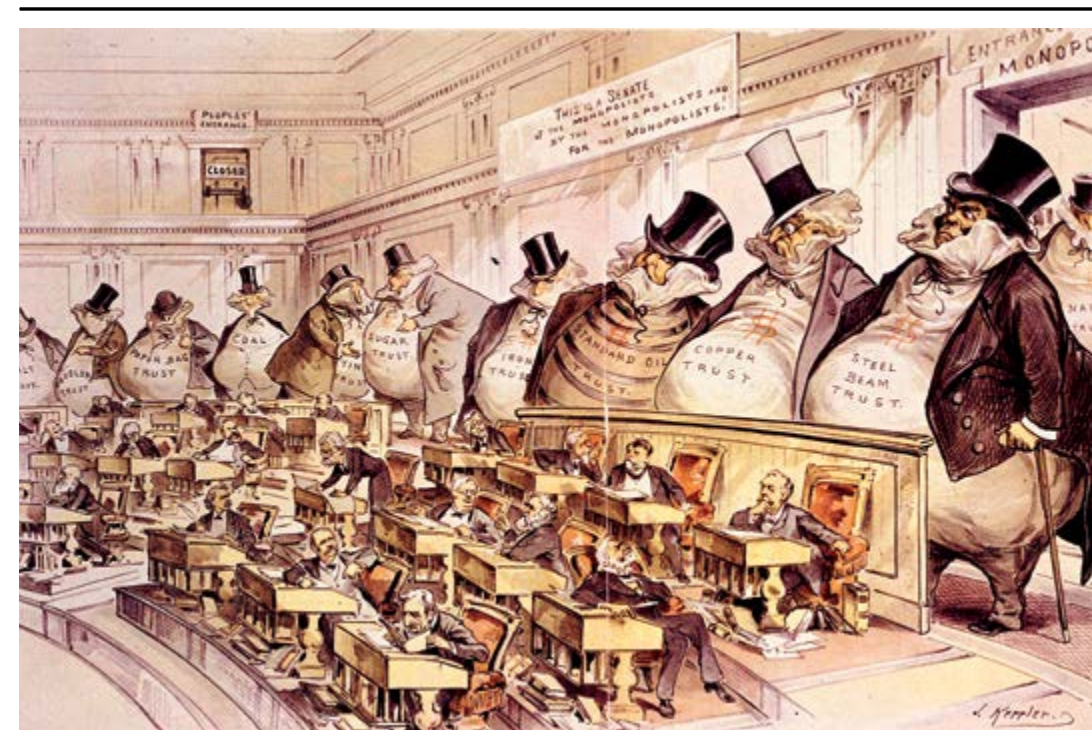


Photo: Library of Congress

Joseph Keppler's famous 1889 cartoon illustrating plutocracy

likely to graduate than a kid in the upper income bracket scored in the bottom quarter. This is the reverse of how meritocracy should work."

There is no shortage of data to drive home the point that there is no longer a level playing field in America. Anand Giridharadas, a former *New York Times* columnist, has documented in great detail in his book *Winners Take All* (2018) how the dream of the American middle class has effectively evaporated. As he says:

A successful society is a progress machine. It takes in the raw material of innovations and produces broad human

advancement. America's machine is broken. When the fruits of change have fallen on the United States in recent decades, the very fortunate have basked almost all of them. For instance, the average pretax income of the top tenth of Americans has doubled since 1980, that of the top 1 percent has more than tripled, and that of the top 0.001 percent has risen more than sevenfold—even as the average pretax income of the bottom half of Americans has stayed almost precisely the same. These familiar figures amount to three and a half decades' worth of wondrous, head-spinning change with zero impact on the average pay of 117 million Americans.

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Giridharadas claims that the American people are beginning to “feel” that the system is unfair:

Thus many millions of Americans, on the left and right, feel one thing in common: that the game is rigged against people like them. [...] There is a spreading recognition, on both sides of the ideological divide, that the system is broken, that the system has to change.

Giridharadas is right. To create a level playing field, the system has to change. But it will not change. Why not? What are the obstacles to change? And, if there are obstacles, why hasn't the world's freest media, the American media, revealed these obstacles? This is where the story becomes complex. We also have to venture into politically controversial territory to understand the obstacles to change.

MAIN OBSTACLE TO CHANGE

The main obstacle to change is a myth. An example from history will help. For centuries, European serfs accepted a feudal system in which they were second-class citizens (if not slaves) in a system dominated by feudal lords. Why didn't the majority of serfs overthrow the minority of feudal lords? A huge myth was created to generate a belief that this system was just. The kind and gentle feudal lords reinforced the myth. At the risk of quoting a politically controversial philosophical concept, let me mention a term used for

this phenomenon: false consciousness. According to Daniel Little, Chancellor Emeritus and Professor of Philosophy at University of Michigan-Dearborn, “false consciousness” is a

concept derived from Marxist theory of social class. [...] Members of a subordinate class (workers, peasants, serfs) suffer from false consciousness in that their mental representations of the social relations around them systematically conceal or obscure the realities of subordination, exploitation, and domination those relations embody. Marx asserts that social mechanisms emerge in class society that systematically create distortions, errors, and blind spots in the consciousness of the underclass. If these consciousness-shaping mechanisms did not exist, then the underclass, always a majority, would quickly overthrow the system of their domination.

Yet, even if contemporary Americans were to accept that there was “false consciousness” in the feudal era, they would contest the possibility of it emerging in modern American society, where the unique combination of the world's freest and fiercely independent media, the best universities, the best-funded think tanks and the spirit of open and critical enquiry would expose any big “myth” that enveloped American society. Many Americans would assert no myths can survive in the robustly open environment of American society. Only facts survive.

To be fair, many American writers have written about the several dimensions of plutocracy in American society. In addition to Giridharadas, who was cited earlier, distinguished American writers like Nobel Laureate Joseph Stiglitz and Robert Reich have documented, for example, the growing inequality in America. In his brilliant May 2011 *Vanity Fair* article entitled, “Of the 1%, by the 1%, for the 1%,” Stiglitz opines that

it's no use pretending that what has obviously happened has not in fact happened. The upper 1 percent of Americans are now taking in nearly a quarter of the nation's income every year. In terms of wealth rather than income, the top 1 percent control 40 percent. Their lot in life has improved considerably. Twenty-five years ago, the corresponding figures were 12 percent and 33 percent.

Yet what most of these articles emphasize is the growing “inequality” in America. And if the problem is “inequality,” then fortunately the problem can be solved. As America has the world's most robust democratic system, where the broad masses elect the leaders who in turn take care of the interests of the broad masses, any problem of “inequality” could eventually be fixed. In short, if America has a problem, it also has a solution: democracy.

This brings us to the heart of the argument of this essay. To put it simply, the solution has become part

of the problem. While all the democratic processes remain in place, with Americans going to the polls every two or four years (depending on the elected office) to select their leaders (who will in theory take care of them), the results of all those processes is that Americans elect leaders who will take care of the 1 percent, not the 99 percent.

How did this happen? How did America, which on the surface still functions as a democracy, become a plutocracy, which takes care of the interest of the 1 percent? [Note: the term 1 percent is used metaphorically here. The real reference is to a tiny elite that benefits from a non-level playing field]

There was one great American who anticipated the effective hijacking of the American democratic system by the very affluent. He is America's greatest political philosopher of recent times, John Rawls. Rawls warned that “if those who have greater private means are permitted to use their advantages to control the course of public debate,” this would be the corrupting result:

Eventually, these inequalities will enable those better situated to exercise a larger influence over the development of legislation. In due time they are likely to acquire a preponderant weight in settling social questions, at least in regard to those matters upon which they normally agree, which is to say in regard to those things that support their favored circumstances.

This is precisely what has happened over the past few decades: the affluent have gained “preponderant weight [...] in regard of those things that support their favored circumstances.” There has been a relative transfer of wealth and political power from the vast majority of America’s population to a privileged super minority.

The practical effect of transferring power to a super minority is that the political system responds to the needs and interest of the top 1 percent, not to the 99 percent. Fortunately, there have been strong, peer-reviewed academic studies that confirm this political reality. Two Princeton University professors have documented how ordinary American citizens have lost their political power and influence. Martin Gilens and Benjamin Page studied the relative influence that the views of average Americans and mass-based interest groups have on policy outcomes versus the views of the economic elite in 1,779 cases. They found that:

economic elites and organized groups representing business interests have substantial independent impacts on U.S. government policy, while average citizens and mass-based interest groups have little or no independent influence. [...] When the preferences of economic elites and the stands of organized interest groups are controlled for, the preferences of the average American appear to have only a minuscule, near-zero,

statistically non-significant impact upon public policy. [...] Furthermore, the preferences of economic elites (as measured by our proxy, the preferences of “affluent” citizens) have far more independent impact upon policy change than the preferences of average citizens do. [...] In the United States, our findings indicate, the majority does not rule—at least not in the causal sense of actually determining policy outcomes.]

They reach the following alarming conclusion:

Americans do enjoy many features central to democratic governance, such as regular elections, freedom of speech and association, and a widespread (if still contested) franchise. But we believe that if policymaking is dominated by powerful business organizations and a small number of affluent Americans, then America’s claims to being a democratic society are seriously threatened.

In the past, the broad middle classes of America had a strong say in determining the fundamental direction of American society. Today, they no longer do. The decisions of the U.S. Congress are not determined by the voters; they are determined by the funders. As a result, America is becoming functionally less and less of a democracy, where all citizens have an equal voice. Instead, it looks more and more like a plutocracy, where a few rich people are disproportionately powerful.

These conclusions have been reinforced by other academic studies. A 2018 study by scholars Alexander Hertel-Fernandez, Theda Skocpol, and Jason Sclar of the School of International and Public Affairs at Columbia University further argued that

since the mid-2000s, newly formed conservative and progressive donor consortia—above all the Koch seminars [founded by brothers Charles and David Koch] and the DA [Democracy Alliance]—have magnified the impact of wealthy donors by raising and channeling ever more money not just into elections but also into full arrays of co-operating political organizations. [...] The Koch seminars [...] allowed donations to be channeled into building a virtual third political party organized around AFP [Americans for Prosperity], an overarching political network able not only to electorally support the Republican Party but also to push and pull its candidates and office holders in preferred ultra-free-market policy directions. [...] To the degree that wealthy donor consortia have succeeded in building organizational infrastructures, they have shifted the resources available for developing policy proposals, pressing demands on lawmakers, and mobilizing ordinary Americans into politics. [...] When plutocratic collectives impose new agendas on political organizations seeking to attract financial resources, the funders reshape routines, goals, and centers of power in

U.S. politics well beyond the budgetary impact of particular grants.

To that end, Figure 1 illustrates (please see following page) the hundreds of millions of dollars that wealthy donors have raised annually within the donor consortia to finance their political interests. The authors thus conclude:

Our analysis of the Koch and DA consortia highlights that a great deal of big-money influence flows through mechanisms other than individual or business donations to the electoral and lobbying operations. [...] To understand how the wealthy are reshaping U.S. politics, we need to look not just at their election and lobbying expenditures but also at their concerted investments in many kinds of political organizations operating across a variety of fields and functions. Only in this way can we account for the stark inequalities in government responsiveness documented by [various] researchers.

So what triggered this massive transfer of political power from the broad masses to a tiny elite in America? This question will be hotly debated by political scientists and historians for decades. Yet it is also clear that one seminal ruling by the U.S. Supreme Court made a huge difference. In a landmark ruling in *Citizens United v. Federal Election Commission* (2010) as well as in other decisions, many of the legislative restraints on the use of

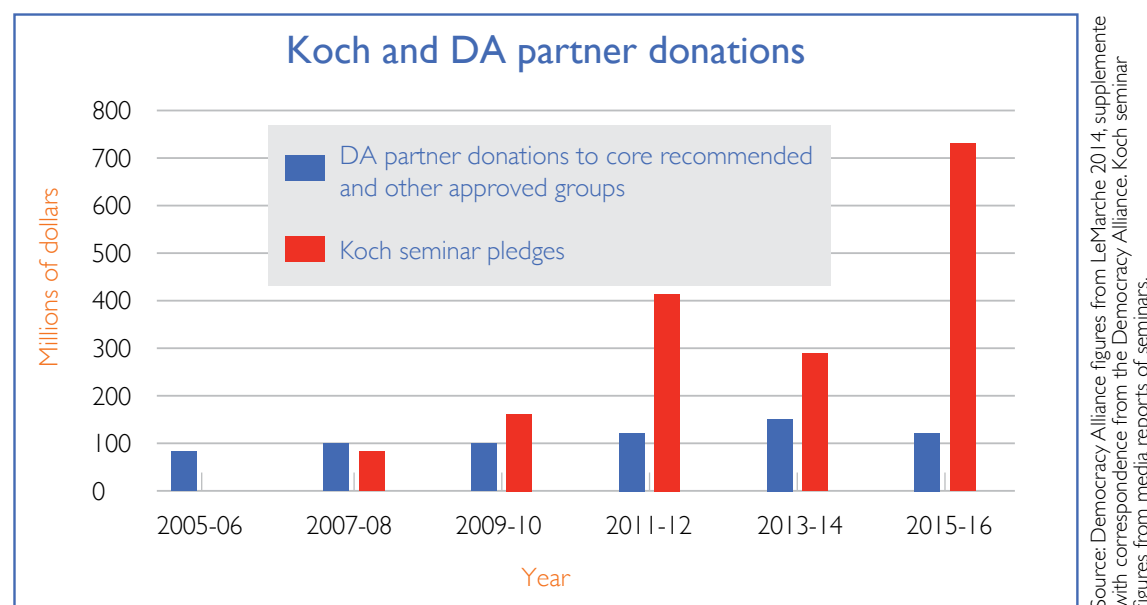


Figure 1: Democracy Alliance Figures and Koch and DA Partner Donations

money to influence the political process were overturned.

A report by the Center for Public Integrity reported that: “The *Citizens United* ruling, released in January 2010, tossed out the corporate and union ban on making independent expenditures and financing electioneering communications. It gave corporations and unions the green light to spend unlimited sums on ads and other political tools, calling for the election or defeat of individual candidates.” The impact of this and other Supreme Court decisions was monumental. Effectively, they ended up transforming the American political system. Martin Wolf says that “the Supreme Court’s perverse 2010 *Citizens United* decision held that companies are

persons and money is speech. That has proved a big step on the journey of the U.S. towards becoming a plutocracy.”

Now, Martin Wolf is one of the most influential columnists in the world. He also describes himself as being fiercely pro-American. In a column written in 2018, Wolf said “the U.S. was not just any great power. It embodied the causes of democracy, freedom, and the rule of law. This made [my father] fiercely pro-American. I inherited this attitude.” America is an open society. Therefore, when major voices like Martin Wolf and Joseph Stiglitz describe America as having become a “plutocracy,” the logical result should have been a major public debate on whether this claim is true.

Instead, the opposite happened. This comment by Martin Wolf was buried. The psychological resistance in America to use the term “plutocracy” is deep. Leading newspapers like the *New York Times* and *Washington Post* do not use it. Leading columnists like Richard Cohen and Paul Krugman do not use it. Nor do distinguished historians like Simon Schama mention plutocracy. Certainly no American politician uses it.

So, what is in a name? Shakespeare once famously said “a rose by any other name would smell as sweet.” I sometimes doubt this piece of wisdom. If someone were to change the name of “rose” to “skunk-flower,” we might approach a rose with some caution. Choosing the right name makes a huge difference. As the philosopher Ludwig Wittgenstein said, “the limits of my language mean the limits of my world.”

The sad reality about the U.S. is that, functionally, there is absolutely no doubt that the political system has gone from functioning as a democracy (a government of the people, by the people, for the people) towards becoming a plutocracy (a government of the 1 percent, by the 1 percent, for the 1 percent). Yet, while this political reality is undeniable, it is also unspeakable.

JUST AND UNJUST INEQUALITY

What is the real danger that flows from this refusal to describe the American political system as a “plutocracy”? Many dangers! Firstly, it

perpetuates the myth that American society has a “level playing field.” Anybody can succeed. Hence, if a person fails it is because of his individual defects. It is not because the social environment is rigged against the person. Secondly, by refusing to describe it as a plutocracy, the fundamental difference between “just inequality” and “unjust inequality” falls to the surface.

The term “just inequality” may seem to be an oxymoron. Yet, it was John Rawls who highlighted this difference. It was he who said that inequality was not the problem. The fundamental question was whether rising inequality resulted in an improvement or deterioration of the living conditions of the people living at the bottom. He states this clearly and categorically: “the higher expectations of those better situated are just if and only if they work as part of a scheme which improves the expectations of the least advantaged members of society.”

The best way to illustrate the difference between “just equality” and “unjust equality” is to compare concrete examples. Both the United States and China have about the same level of inequality. By the latest estimates, the gini coefficient in America is 0.41 and in China is 0.39. There is no significant difference here. However, there is a significant difference between how the bottom 50 percent have fared in America

and China. America is the only major developed society where the average income of the bottom 50 percent has declined over a 30 year period from 1980 to 2010, as documented by my colleague of the National University of Singapore, Professor Danny Quah. By contrast, the bottom 50 percent of the Chinese population has seen the greatest improvements in their standard of living in recent decades. Indeed, the past 40 years of social and economic development that the Chinese people have enjoyed have been the best 40 years in four thousand years of Chinese history.

The story here is not just about economic failures and economic successes. These economic failures and successes have profound effects on the state of psychological and social well-being of societies. In America, this stagnation of income has also resulted in a lot of human pain and suffering, as documented by two Princeton University economists, Anne Case and Angus Deaton. The white working classes of America used to carry the American dream of getting a better life in their hearts and souls. Today, as Case says, there is a “sea of despair” among them. She and Deaton conclude: “Ultimately, we see our story as about the collapse of the white, high-school-educated working class after its heyday in the early 1970s, and the pathologies that accompany that decline.” The detailed study of Case and Deaton documents how poor economic prospects “compounds over

time through family dysfunction, social isolation, addiction, obesity, and other pathologies.”

In China, the situation is almost exactly the opposite. A Chinese-American psychology research from Stanford University, Jean Fan, visited China in 2019. She observed that “China is changing in a deep and visceral way, and it is changing fast, in a way that is almost incomprehensible without seeing it in person. In contrast to America’s stagnation, China’s culture, self-concept, and morale are being transformed at a rapid pace—mostly for the better.”

One obvious counter-argument to the different social conditions of America and China is that the American people are still better off because they enjoy freedom while the Chinese people do not. It is true that the American people enjoy political freedom. This is undeniable. However, it is also true that a person from the bottom 50 percent of American society is more likely to lose their personal freedom and end up in jail. The chance of being incarcerated in America (if one is born in the bottom 10 percent, especially among the black population) is at least five times higher than China. America sends 0.655 percent (or 2.12 million) into jails. By contrast, China sends 0.118 percent (or 1.65 million) into jails. A 2019 study tried to understand which ethnic group in America had the greatest percentage

of individuals with family members in jail or prison. The average figure for all Americans was 45 percent. The figure for whites was 42 percent, Hispanics 48 percent, and blacks 63 percent.

Any American who has doubts about the dangers posed by plutocracy should pause and reflect on these figures. Let’s repeat the figure: 45 percent of Americans have family members in jail or prison. These high levels of incarceration did not happen because the American people have psychological characteristics that make them more likely to become criminals. This is a result of the socioeconomic conditions of the bottom 50 percent that have steadily deteriorated.

If it is manifestly obvious that the American political system is facing a crisis, why is there no consensus on the American body politic on what has gone wrong? Surely the best newspapers and universities, and the best-known students and professors in the world, should be able to arrive at a clear consensus on the real problems faced by American society?

In the year 2020, we can understand why there is no consensus. The liberal elites are distracted by one major issue:

the reelection of Donald Trump. They believe that it would be a disaster if Donald Trump is reelected. They also believe that many of America’s problems would be solved if Joe Biden wins. I share the hope that Biden will win. Yet, even if he wins, the systemic issues that led to the development of a plutocracy in America

will not go away. Money will still dominate the political system.

If anyone doubts this, the following data from an important 2018 study written by Thomas Piketty, Emmanuel Saez, and Gabriel Zucman that appeared in the

Quarterly Journal of Economics confirms this very clearly:

First, our data show a sharp divergence in the growth experienced by the bottom 50 percent versus the rest of the economy. The average pretax income of the bottom 50 percent of adults has stagnated at about \$16,000 per adult (in constant 2014 dollars, using the national income deflator) since 1980, while average national income per adult has grown by 60 percent to \$64,500 in 2014. As a result, the bottom 50 percent income share has collapsed from about 20 percent in 1980 to 12 percent in 2014. In the meantime, the average pretax income of top 1 percent adults rose from \$420,000 to about \$1.3 million, and their income share increased from about 12

percent in the early 1980s to 20 percent in 2014. The two groups have essentially switched their income shares, with eight points of national income transferred from the bottom 50 percent to the top 1 percent. The top 1 percent income share is now almost twice as large as the bottom 50 percent share, a group that is by definition 50 times more numerous. In 1980, top 1 percent adults earned on average 27 times more than bottom 50 percent adults before tax, while they earn 81 times more today.

There are two ways of viewing this great divergence. It could be a result of the fact that the top 1 percent of Americans are becoming smarter and the bottom 50 percent of Americans are becoming less smart. Or it could be a result of the fact that America has become a plutocracy where there is no longer a level playing field. All the evidence points to the latter conclusion. Many Americans sense that the system does not work for them.

Deteriorating socio-economic conditions mean that people will suffer. All this is brought out by the latest Social Progress Index which was released in September 2020. Quite astonishingly, out of 163 countries assessed worldwide, America, Brazil, and Hungary are the only three countries where people have become worse off. The index collects several metrics of well-being, including nutrition, safety, freedom, the

environment, health, education, and others to measure the quality of life in a country. America slipped from number 19 to number 28 in the world. Writing with reference to the aforementioned results, *New York Times* columnist Nicholas Kristof corroborates deteriorating quality of life with “rising distress and despair.” Quite shockingly, Kristof describes how one quarter of the children with whom he went to school on the same school bus are now dead from drugs, alcohol, and suicide. His personal experience mirrors what Case and Deaton have documented on the “sea of despair” among white working classes.

TYRANNY OF MONEY

Clearly something has gone fundamentally wrong with American society. Many Americans are also beginning to sense that the system isn’t working for them. Marvin Zonis, a University of Chicago economist has written an article which describes how “the American system is facing a crisis of legitimacy.” The level of confidence that American people have in their key institutions has been declining. Confidence in the U.S. presidency has fallen from 52 percent in 1975 to 37 percent in 2018. Confidence in the U.S. Congress has plummeted more sharply from 42 percent in 1973 to 11 percent in 2018. The explanation that Zonis gives for this declining confidence is credible. As he says, “the central factor in the growing lack of trust and confidence in our institutions has been the

realization that our American democracy does not function commensurately with the ideals of the founders or the Constitution. Money has become the key to American political life.”

The key word he uses is “money.” If money dictates outcomes in politics, it means that a society has become a “plutocracy.” After documenting how the amount of money spent

in a U.S. presidential election year has gone from \$3 billion in 2010 to \$6.5 billion in 2016, Zonis adds that the “contributors of those many billions expect a return on their investments—and they usually get it. Congressional action on gun legislation, sugar subsidies, policies towards Israel, drug pricing, and countless other issues is best explained by the financing of political campaigns and not by the political preferences of ordinary voters, or even of members of Congress.”

Please read the above paragraph again, carefully. It says clearly that the decisions of the U.S. Congress are decided by “contributors of billions” and not by the “political preference of ordinary voters.” This observation confirms what Gilens and Page documented earlier. In short, there is no doubt that functionally America has become a plutocracy. Yet, equally

significantly, Zonis does not use the term “plutocracy” once in his article.

IN DENIAL

There is an old fashioned adage that says: one must call a spade

If America refuses to accept that it has functionally become a plutocracy, how can it possibly find a way out of this challenge?

a spade. Similarly, one must call a plutocracy a plutocracy. The reluctance to do so brings out the key problems facing American society. If America refuses to accept that it has func-

tionally become a plutocracy, how can it possibly find a way out of this challenge? Just as no oncologist can cure a patient of cancer if he or she refuses to submit himself or herself to treatment, similarly America cannot be cured of its plutocracy problem if it remains in denial that such a problem exists.

All this means that there are two possible outcomes. The first is a revolution against the establishment in Washington, DC. Paradoxically this may have been what the working classes thought they were doing when they elected Trump in 2016. They wanted to elect someone outside the establishment and one who would shake up the establishment. When Hillary Clinton responded in 2016 by calling Trump’s supporters a “basket of deplorables” it showed that she, together with the rest of the Washington establishment did not understand

what the broad masses of Americans were trying to convey. Unfortunately, in electing Trump, the working classes voted in a plutocrat. In office, Trump acted like a plutocrat. He cut taxes for the rich again. The conditions for the bottom 50 percent didn't improve.

The second possible outcome is for the arrival of enlightenment. At some point in time, the top 1 percent in America must come to realize that if they are going to protect most of their personal economic gain in America, and not

The data on social deterioration in America is undeniable. It undercuts the claims that America is a society where hard work brings rewards. For most people, the rewards have dried up.

Fortunately, many wealthy Americans are coming to realize this. Ray Dalio is one of them. Dalio runs the largest, most successful hedge fund in the world, which has succeeded through rigorous empirical research. Dalio has now applied this research to understanding poverty and inequality in America. On his LinkedIn page, Dalio spells out the dramatic decline in the living standards of the majority of Americans and points out that "most people in the bottom 60 percent are poor" and cites "a recent Federal

Reserve study [that showed that] 40 percent of all Americans would struggle to raise \$400 in the event of an emergency." Worse, Dalio notes that "they are increasingly getting stuck being poor [...]. [T]he odds of someone in the bottom quintile moving up to the middle quintile or higher in a 10-year period [...] declined from about 23 percent in 1990 to only 14 percent as of 2011."

The data on social deterioration in America is undeniable. It undercuts the claims that

America is a society where hard work brings rewards. For most people, the rewards have dried up. The platitude that "virtue is its own reward" turns out to be grimly and limitingly true.

FIVE HARD STEPS FORWARD

Yet, even if the top 1 percent in America, which includes Dalio, were to wish that American society return to its condition of the 1950s and 1960s, when the broad mass of American society was also lifted up as America's economy grew, what should they do? Is there a magic button they can press? Is there a simple "silver bullet" solution to America's problem with plutocracy?

Sadly, there are no easy solutions. There are only painful solutions. This

article will therefore conclude by suggesting what some of them might be. The first step would be for the Supreme Court's *Citizens United* decision to be reversed. As Martin Wolf said, this court decision started the slippery slope towards plutocracy in America.

The second step would be for America to emulate the example of its fellow democracies in the European Union and impose strict limits on the amount of money that can be spent on elections. Fortunately, the American people also want to limit the influence of money. A Pew Research Institute survey in 2018 found that "an overwhelming majority (77 percent) supports limits on the amount of money individuals and organizations can spend on political campaigns and issues. And nearly two-thirds of Americans (65 percent) say new laws could be effective in reducing the role of money in politics."

The third step is to change American ideology in a fundamental way. It should go back to the wisdom of its founding fathers. The founding fathers of America were all disciples of great European philosophers of the Enlightenment period (including John Locke and Montesquieu) and emphasized both Freedom and Equality—as did the aforementioned Rawls. Of late, however, American politicians, starting with Ronald Reagan, have emphasized Freedom and not mentioned Equality in the same breath.

The fourth step is to acknowledge that market forces alone cannot create a level playing field for all Americans. Government must step in to redress major social and economic inequalities. Therefore, Americans should openly declare that Reagan was totally wrong when he said, "government is not the solution to our problems; government is the problem." Instead, Americans should accept the wisdom of Nobel Laureate Amartya Sen who said that for societies to progress they need the "invisible hand" of the free market and the "visible hand" of good governance. Americans have not used the "visible hand" in recent decades, especially since the Reagan-Thatcher revolution.

Fifthly, the American government should declare that the main goal of American society is to go from being number 28 on the Social Progress Index towards becoming number one on this index. Hence, instead of trying to become the number one military power (and wasting trillions fighting unnecessary wars) America will spend its trillions improving the living conditions of Americans measured in the Social Progress Index.

The bottom line is that solutions are out there, and they're available. But these solutions will only work if Americans agree on what the problem is. And the problem is, quite simply, plutocracy. ●

BEST OF TIMES, WORST OF TIMES

Douglas McAdam

THE THEME of the present issue of *Horizons* is “America at the Crossroads.” Often, when writers deploy the “crossroads” metaphor, it can feel forced and hyperbolic. But not this time; the fate of the American experiment really does feel like it is hanging in the balance.

Another way to characterize the United States, poised as it is between the unprecedented protests that followed the murder of George Floyd in Minneapolis on May 25 and the upcoming presidential election, would be to draw on the famous opening line of the 1859 novel by Charles Dickens, *A Tale of Two Cities*. If the protests are the “best of times,” an inspiring interracial call for a rebirth of American racial democracy, the election has the very real potential to usher in “the worst of times,” nothing less than the end of the American experiment.

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THE BEST OF TIMES

Since the shooting of Michael Brown in Ferguson, Missouri in August 2014, every publicized death of an African-American at the hands of police has triggered a spasm of protest, before winding down. But what happened in the month or so following the horrific killing of George Floyd in Minneapolis on Memorial Day was very different.

For starters, in the aggregate, the protests were sustained for well over a month, with the movements in some cities lasting considerably longer. Second, the numbers—of protestors, protest events, and protest sites—grew steadily over time. To see the number of protestors increase is not unusual in the early days of a movement. But an increase in protests events, and especially protest sites, is rare. Given the pattern of previous Black Lives



Photo: Guliver Image/Getty Images

Citizens gather at the White House as the fate of the Republic hangs in the balance

Matter demonstrations, the initial wave of protests in major cities around the country was hardly surprising. And the spread of the movement into progressive communities such as Santa Monica, California; Boulder, Colorado; Cambridge, Massachusetts, etc., was predictable as well.

But when the protests began popping up in conservative, predominantly white communities, it was clear, to quote Dorothy from *The Wizard of Oz* movie (1939), that we were “no longer in Kansas.” Or rather that, counter to history and recent partisan politics, we were in Kansas; and not just in Kansas

City, but, as reported in the *Kansas City Star*, in small, overwhelmingly white towns, such as Overland Park, Shawnee, and Olathe. And this pattern was repeated, literally everywhere, encompassing all 50 states. And though the protests have now dissipated for the most part, the signs of continuing support for the Black Lives Matter movement and its vision of a racially just America are still everywhere. And when I say “signs,” I use the term literally. Hand lettered signs supporting Black Lives Matter can be found in house windows, on lawns, on fences, and adorning businesses all over the United States.

This brings me to the most important, and potentially consequential, difference between the George Floyd protests and any we've seen in recent years. I refer to the racial/ethnic diversity clearly evident in the summer 2020 protest wave. Given the recency and fluidity of the protests, it is hard to get a systematic handle on the demographics of the protesters, but there is simply no denying the diversity of those who took part. Working with Michael Heaney, Dana Fisher (the acknowledged maven of contemporary protest studies) surveyed protesters at early demonstrations in L.A., New York,

In no past elections was America confronted by a candidate like Trump, with no respect for the country's democratic institutions and no commitment to the rule of law.

and DC, and reported the following percentages of those taking part: White: 61 percent; Hispanic: 9 percent; Black: 12 percent; Asian 12 percent; Multi-racial: 2 percent; and Other 3 percent.

Video footage that I've seen from protests in these and many other locations, suggests a far more even demographic distribution than the above figures suggest, but even allowing for variation across sites, it's clear that the demographic mix is far more varied than anything we have seen in recent years; and indeed, far more diverse than anything we saw during the heyday of the mass civil rights movement of the 1960s. In fact, while the

Sixties movement benefitted at times from considerable white support, the levels of actual protest participation by whites was minimal.

This is hardly surprising when one considers that the major campaigns or actions during the early Sixties heyday of the movement—the sit-ins in 1960; the Freedom Rides in 1961; Albany, Georgia in 1962; Birmingham, Alabama in 1963; Selma, Alabama in 1965—took place in the South, and virtually all white southerners were implacably opposed to the threat the movement posed to

“the southern way of life.” To be sure, there were sympathy demonstrations in the North in support of the sit-ins and considerable white financial support for the major civil rights organizations, but very little in the way of active white participation in the major southern campaigns.

And when the struggle turned northward in response to the onset of the riots in the mid-Sixties, even the generalized sympathy the movement had enjoyed in the early Sixties largely evaporated. This shift was occasioned by the new goals the movement embraced as it sought to contend with the more complicated forms of systemic racism

endemic outside the South. Movement aims during the Southern phase of the struggle called for little more than the dismantling of an anachronistic caste system in which few whites outside the South had any stake. Over time, however, the movement's goals were broadened to embody a more holistic critique of the complex patterns of “institutional racism” in which the interests of many who had earlier “supported” the movement were implicated. The effect of this change was to greatly erode white support for, and significantly increase white opposition to, the movement.

Geographically, the shift of the struggle from South to North had much the same effect. Confined almost exclusively to the states of the former Confederacy in the early 1960s, the movement posed little threat to residents in other regions of the country. With the advent of the riots, open-housing marches, and court-ordered busing in the late Sixties and early Seventies, however, the comfortable illusion that racism was a distinctly southern problem was shattered. By the mid to late Sixties, white opposition to the movement was as much a northern as a southern phenomenon.

It looks, for all the world, like these protests are achieving what very few do: setting in motion a period of significant, sustained, and widespread social, political change that is as rare as it is potentially consequential.

It should also be noted that the movement's shift from interracialism to Black Power and black separatism after, say, 1965-1966 also limited the opportunities for white participation in the struggle. Bottom line: without gainsaying the reality and significance of generalized white support for the movement in the

early 1960s, the number of whites who were active in a sustained way in the struggle were comparatively few, and certainly nothing like the percentages we have seen taking part in recent weeks.

But the demographic diversity of the protests isn't the only thing that marks the recent protests as

distinctive. For all the attention and hope we tend to lavish on protests, the truth is very few such episodes result in any meaningful social/political change. Occupy Wall Street burst upon the scene in the fall of 2011, generating widespread public sympathy, and temporarily “changing the conversation,” but in the end, accomplished little.

Or think of the various gun violence protests triggered by the numbing litany of mass shooting incidents that have taken place in the United States over the past decade or so: Parkland High School, Sandy Hook, Charleston, the

Pittsburgh synagogue shooting. And yet, little or no meaningful policy change has come from any of those protests.

And save perhaps for the rare instance of local police reform, the same can be said of the protests that occurred in recent years in the wake of the killing

of far too many African-Americans at the hands of police...at least until George Floyd. It looks, for all the world, like these protests are achieving what very few do: setting in motion a period of significant, sustained, and widespread social, political change that is as rare as it is potentially consequential.

The many efforts to reform policing are rightly getting the lion's share of attention at the moment, but they hardly exhaust the changes being considered. Indeed, the many calls to "defund" or even eliminate police departments are as much about reinvesting resources in social programs, mental health initiatives, job training, and the like, as it is narrowly about police reform. If the change efforts being proposed were confined to the above, we would be justified in declaring the George Floyd "movement" a slam-dunk success. But, something remarkable appears to be happening beyond the efforts to reform law enforcement and reimagine what a more

generous and equitable social welfare system would look like.

Lots of organizations and institutions appear to be embracing this as a watershed moment in their history, asking what the current moment demands of

them, or what changes they need to make to advance the overarching goals of social justice and racial equity.

For example, Comcast has pledged it is committing \$100 million to a three-year plan to advance social justice

and equality and fight "injustice and inequality against any race, ethnicity, gender identity, sexual orientation or ability." Following suit, PepsiCo announced a five-year, \$400 million initiative to increase African-American managerial representation by 30 percent and more than doubling business with black-owned suppliers. Not to be outdone, Bank of America announced a \$1 billion, four-year commitment to strengthen economic opportunities in communities of color. PayPal is committing \$530 million to supporting black and minority-owned businesses in the U.S., as well as bolstering its internal diversity and inclusive hiring practices.

Even allowing for a healthy dose of cynicism on the part of NFL, Commissioner

Something remarkable appears to be happening beyond the efforts to reform law enforcement and reimagine what a more generous and equitable social welfare system would look like.

Roger Goodell's embrace of Black Lives Matter is symbolically significant and a pointed rebuke to Donald Trump. NASCAR's banning of Confederate flags at its events is another striking symbolic response to the moment, especially given the sport's popularity in the South.

And for every one of these highly publicized actions by high profile enterprises, there are countless others taking place in smaller, less visible companies and institutions. I will confine myself to just two from my own life. The daughter of a friend of mine works for an urban design firm whose CEO organized, and hired a professional, to facilitate an online, company-wide conversation about race and equity, as a first step toward reforming its internal practices. Stanford's Academic Program Review Board—the body that rules on cases of academic probation and suspension—is undertaking a systematic review of its procedures, to determine whether they are sufficiently sensitive to the challenges faced by traditionally disadvantaged students, especially in the context of COVID-19 and the protests roiling our communities.

I could multiply these examples many times over, but the reader gets the point.

We appear to be experiencing a social change tipping point that is as rare in society as it is potentially consequential. So, this is all good news, right? Well...almost.

And so we come to the "worst of times" part of the scenario.

We appear to be experiencing a social change tipping point that is as rare in society as it is potentially consequential.

THE WORST OF TIMES

Notwithstanding all the energy and momentum generated by the protests, and what, for a time, appeared to be a related drop in Trump's poll numbers,

he could still very easily be re-elected in November. How is that possible?

For starters, Democratic electoral success has come, in recent years, to depend critically on high, if not record, turnout. At first blush, widespread antipathy toward Trump, combined with the energy of the protests, would seem to make turnout a non-issue. But in fact, achieving high levels of turnout this year will be especially challenging. For one thing, Trump and his allies are committed to blocking all efforts to make voting easier. The principal focus of this effort has centered on a concerted attack on the use of mail-in ballots, a form of voting that has been non-controversially in place for decades, and which would seem to be especially

well-suited to an election that will be conducted against the backdrop of an ongoing pandemic.

But that's not how Donald Trump sees it. Instead, with no evidence to support the allegation, the president has charged that voting by mail promotes fraud, and that

the Democrats are intending to "steal" the election through the use of fraudulent mail-in ballots, never mind the fact that Trump himself has voted by mail for years. But with no authority to ban or restrict

the use of mail-in ballots, Trump has opted to attack the postal service directly. If he can't outlaw vote-by-mail, he seems determined to so undermine the efficiency, morale, and operation of the postal service, as to impede or prevent the flow of mailed ballots and perhaps even discourage Americans from attempting to vote by mail.

Toward this end, in May 2020 Trump appointed a loyalist and Republican fund raiser, Louis DeJoy, as the new U.S. Postmaster General. Upon taking office, DeJoy immediately began implementing "reforms" including the removal of electronic sorting machines, critical to the processing of the millions of pieces of mail that the postal service handles in a day. Trucks also began

showing up on the streets of American cities and towns and began removing the comfortingly familiar free-standing mailboxes that have long been a fixture of everyday life in the United States.

With postal service employees sounding the warning, Americans *en masse* began to protest the new "reforms;" but

to date, DeJoy has yet to clearly reverse course and restore the integrity of the institution he seems determined to weaken.

But what about voting in person? Surely, Trump and his allies

have little ability to interfere with this time-honored means of voting. Think again. In fact, because of the coronavirus pandemic, Trump and his allies are in a great position to engage in various forms of electoral mischief designed to suppress the vote. This year's primaries in Wisconsin and Georgia can be regarded as the cynical, amoral playbooks for this suppression effort. With the pandemic raging in both states, Republican election officials choose to limit both the number of polling places and the number of hours the polls were open, forcing residents of the state to stand on line for hours, effectively risking contracting the virus as a condition of voting.

And then there's the case of this year's Iowa primary in which the

Because of the coronavirus pandemic, Trump and his allies are in a great position to engage in various forms of electoral mischief designed to suppress the vote.

Republican Secretary of State, choose to send a mail ballot application to every registered voter, as a way to safeguard both the health and voting rights of state residents. The result was an unqualified success: smooth, efficient, and resulting in record turnout.

Great news, right? Not according to Republican legislators who, in response, passed a bill in June that bars the Secretary of State from mailing ballots to registered voters—precisely because this would enable significant Democrat turnout.

But more than any of these specific tactics or ploys by Trump, the thing we most have to fear is the certainty that he will do anything—illegal no less than legal—to stay in power.

Still, with the momentum and Senenergy generated by the recent protests, and some 55 to 60 percent of Americans disapproving of Trump's performance in office, there's reason to hope that even these transparent efforts to suppress turnout won't be enough to deny Joe Biden the presidency. Perhaps not, but to make matters even worse, Trump has made it clear that he is not committed to accepting the results of the election, if they are not to his liking.

During an interview with Fox News anchor Chris Wallace on 19 July 2020, Trump refused to commit to accepting the results of the 2020 election and called polls showing him trailing former Vice President Joe Biden "fake."

Pressing Trump, Wallace asked: "can you give a direct answer that you will accept the election?" Trump's response: "I have to see. No, I'm not going to just say yes." Since then he has repeated a version of this answer, including in the first presidential debate.

But more than any of these specific tactics or ploys by Trump, the thing we most have to fear is the certainty that he will do anything—illegal no less than legal—to stay in power. I am reminded of something that David

Frum, the distinguished writer for *The Atlantic*, a highly-regarded magazine, said matter-of-factly on some talk show many months ago. In a calm, off-hand way, he said something to the effect that "if Trump cannot hold onto power democratically, he is perfectly prepared to do so non-democratically." Frum's words rang chillingly true when he said them, and they seem even more prescient now. And that is the biggest single reason for fearing a Trump "victory" in November. As one looks ahead, one keeps thinking about this year's contest in relation to past elections. But in no past elections was America confronted by a candidate like Trump, with no respect for the country's democratic institutions and no commitment to the rule of law.

For that reason, one cannot afford to take the current threat lightly and assume that our democratic institutions

will ensure a democratic outcome. Just because we were born a democracy, doesn't mean we will always remain one. Nothing less is at stake this November than the fate of America's democratic experiment. Make no mistake about it: four more years of Donald Trump will bring that experiment to a close, at least temporally, and usher in "the worst of times," especially for America's most vulnerable populations.

Just because we were born a democracy, doesn't mean we will always remain one.

Nothing less is at stake this November than the fate of America's democratic experiment.

The best we can hope for is to do everything we can to maintain the momentum, energy, and inclusive,

pragmatic, and non-violent character of the recent protests. Our goal should be two-fold: to capitalize on the change possibilities inherent in this moment, while quickly pivoting toward those forms of electoral mobilization crucial

to success in November. The survival of American democracy will depend on how successfully we attend to this agenda. ●

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ANTI-AMERICAN CENTURY?

Zachary Karabell

IN 1941, Henry Luce—the founder of *Time* magazine and its sister publications *Life* and *Fortune*—famously announced that “the twentieth century is the American Century.” With unparalleled power and unquestioned resolve, the United States would make the world “safe for the freedom, growth, and increasing satisfaction of all.” And it would do so because of a combination of American power and prestige that would engender a near-universal “faith in the good intentions as well as the ultimate intelligence and ultimate strength of the whole American people.”

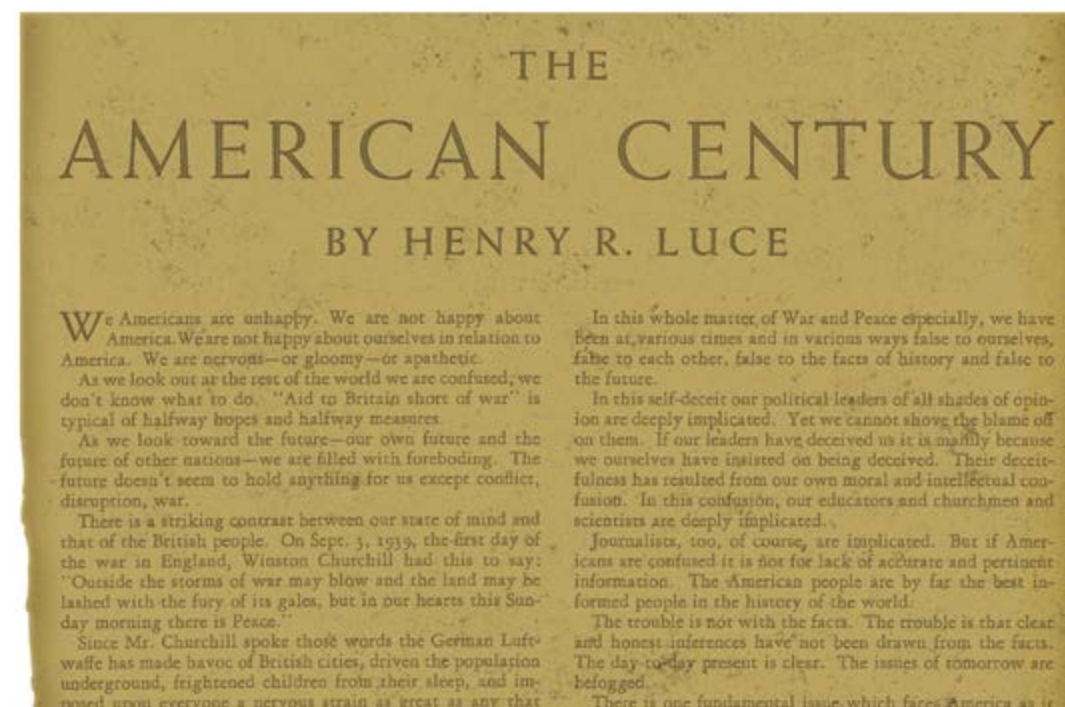
The remainder of the century saw the United States stride the world as the dominant power, sometimes for better and sometimes for worse. But Luce was correct that it was the American Century (or at least half-century). As of 2020, though, the twenty-first century has become “the Anti-American Century,” an identity already well-advanced before

the pandemic but certainly accelerated and cemented by it.

NECESSARY ANTITHESIS?

The Anti-American Century may turn out to be aggressively hostile to the United States, but for now it is anti-American mostly in the sense of being antithetical to the American Century. The three pillars of American strength—military, economic, and political—that defined the last century have each been undermined if not obliterated. In this moment, those failures may seem like profound negatives. In his most recent book, the writer Robert Kagan laments that, without American leadership around the world, the jungle will grow back. In America’s absence, Beijing may be able to define a less liberal world order. In terms of domestic politics, the left and the right are oddly united in their despair at the erosion of the American Century, as the left bemoans the failure of the American experiment in an age of

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Henry Luce's famous editorial as it appeared in Life in February 1941

racial divisions and government ineptitude and the right defends to the hilt the “Make America Great Again” redux.

Yet the dawn of the Anti-American Century may be precisely what both the world and the United States need to meet the particular challenges of today. From the end of World War II though the first decades of the twenty-first century, the United States both maintained the global order and destabilized it when that suited its agenda. Whether one saw America as a force for good or a source of ill, it was the reference point as surely as the Roman Empire in its heyday and the British in its. The idea, however, that the

world can only stay sane and stable if the United States remains the hegemon is a grim recipe. It assumes that the inevitable fate of nations is a state of nature, a Hobbesian world of power and dominance. That may indeed be inscribed on our collective history, but if there is one lesson of history, it is that things do change, slowly, messily, confusingly, but inevitably. So it ever was is not so it will ever be, and the idea that stability is dependent entirely on a hegemon, benevolent or not, is only one possible pathway.

The other is that a world of nearly 7.8 billion people demands multiple nodes of support, not one hegemon

or two jockeying for power. That, after all, was the defining vision when the United Nations was established at the end of World War II. Yes, the structure of the UN also nodded to the fact that powerful nations such as the United States and the Soviet Union would have greater influence than Yugoslavia or Burma, but it also enshrined the idea that only a world defined by a congress of nations rather than hegemony would see sustainable peace and prosperity.

Creeping over the decades, the United States began to see itself as what 1990s Secretary of State Madeleine Albright termed “the indispensable nation,” the sole guarantor of international peace, stability and prosperity. With that came the patois of the United States as “the leader of the free world,” a phrase also liberally applied to the American president. Year by year, that led to a view that a powerful America was synonymous with a stable world, and that a less robust United States therefore spelled global disorder.

NARRATIVE CHALLENGED

The pandemic has deeply challenged that narrative, but move the lens out a bit further, and it's clear that the pandemic is only the latest, albeit perhaps the most serious, blow

to that idea of the United States as the necessary nation keeping the dogs of war at bay and the forces of totalitarianism in check. It may indeed have filled that role in the face of Stalinism in the 1950s, and it may have stood as a counter to the worst deprivations of Soviet Communism and its Eastern European variants. But even if that is largely true, with the end of the Cold War, American power became altogether more ambiguous in its global effects, and since 9/11, even more so. The past two decades culminating in the pandemic have altered the relative position of the United States, especially in diluting its mantle of global leadership even as it retains extraordinary wealth, military power, and a long history of robust—and chaotic—democracy.

If anything good comes out of the present morass, it may be that a United States of great affluence and great deficiencies needs to accept that it is not ordained to lead and that its past results are, as investors like to disclaim, no guarantee of future success. The fact that it *was* a hegemon is not a reason to continue being one, and behaving as if you are long after the structural realities have changed is the nation-state equivalent of an aged monarch believing that he remains as strong and inviolable as

The twentieth (half-) century was the American Century. As of 2020, though, the twenty-first century has become the Anti-American Century.

he did as a youth. The analogy is not exact: the United States is not on the verge of expiring, but it is evolving in ways that many Americans have yet to accept. The first step to solving a problem is acknowledging that you have one; failure to do so—to believe that one's country is uniquely powerful and destined by history and culture for greatness—is a recipe for a fall.

The shift has happened both gradually and rapidly. At the dawn of the new millennium—a scant 20 years ago that feels like an eternity—the United States was able to say to itself and the world that it had found a uniquely potent formula for how to manage democracy. It pointed to its role as a global superpower and its resilient and flourishing economy. It asserted that it had excelled in advanced research, education, and innovation and stood as an example to countries everywhere. All that was never nearly as true as Americans wished it to be, but those strengths were, relative to much of the world, undeniable.

Twenty years into the millennium, the pandemic has exposed structural fissures and weaknesses in the United States. But those fissures were not

created by the pandemic. And the power of the U.S. president and executive branch in foreign policy is not matched by commensurate power at home. In normal times, that is a recipe for considerable freedom relative to other countries and a substantial check on would-be infringements of that. But it is also a liability when faced with a threat that demands cohesive national domestic policy. Even had a more competent president been at the helm, these limitations would likely have hobbled an ideal response.

The past months have underscored that a country whose central government is constrained by the three-branch structure of an executive branch distinct from the legislative and in turn checked by the courts is also limited by substantial local and state autonomy is not particularly well-suited to marshaling a forceful national effort that isn't an actual war. But the tut-tutting and eye-rolling abroad about the anemic American response to the COVID-19 pandemic (“The World is Taking Pity on Us,” went the line in one prominent column and in many other since) is also the next iteration of a process that has been unfolding for two decades. The United States was always likely to

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fall short in its response to a pandemic given the decentralized nature of its national government, but in the context of the past two decades, those failings have made it impossible to hold the United States as an exceptional nation.

That can seem like a decline; it may actually be a sign of maturity that augurs well for the future of the country

and for the globe. If you believe that the world needs hegemons or everything will descend into chaos, then that shift is indeed troubling. If, however, you believe that the twenty-first century will only be stable if

The idea, however, that the world can only stay sane and stable if the United States remains the hegemon is a grim recipe.

multiple nations take responsibility for the world order, then a United States as a normal, albeit immensely powerful, country is to be welcomed.

THREE PILLAR KNOCKDOWN

The first pillar of the American Century to be knocked aside was military. The U.S. invasion of Afghanistan after 9/11 enjoyed considerable support internationally as a justified response to the Taliban's sheltering of al Qaeda and Osama bin Laden. But the subsequent invasion of Iraq in March 2003 with a paucity of international support followed by a bungled occupation and years of guerrilla war against American troops evoked the Vietnam War.

Initial misgivings were exponentially magnified by revelations of American-sanctioned torture in Iraq, at the Guantánamo Bay detention facility, and at various sites around the world, in clear contravention of the Geneva Conventions that the United States had long defended. Add to that revelations of spying on domestic citizens in the name of national security and the war on terrorism, and

many of the pieties of American strength crumbled. By 2008, the United States emerged from its Iraq imbroglio with its military still second-to-none in size and capacity but with its image severely undermined.

The second pillar to crumble was economic. One of the central conceits of Luce's American Century was that the unique virtues of the American economic system would act as a powerful rebuke of communism. And even after the fall of the Soviet Union, the flourishing American economy was a magnet for talent and innovation, with U.S. technology firms defining the first internet boom of the 1990s and then the next wave in the 2000s.

Meanwhile, the Washington Consensus that coalesced in the 1980s about how to structure free markets was the blueprint for post-1989 reconstruction of Eastern Europe and Russia. It was also used as

a loose framework by both the International Monetary Fund and the World Bank in their efforts to push countries around the world to drop trade barriers, end state-run businesses, and open up their capital accounts to global flows. While some countries, especially Russia, suffered mightily from this medicine, the sheer economic power of the United States left little alternative for most nations. China was the notable exception, and its size and the widespread perception that it would eventually move toward the American model after joining the World Trade Organization allowed it to evolve along its own path.

China's economic success eroded American dominance, but it was the financial crisis of 2008-2009 that truly knocked away the economic pillar. For years, the question in investors' minds had been: "When would the bad loans on the books of China's state-owned banks lead to a crash in China?" It turned out that it wasn't China's banks that were the problem; it was banks in the United States. And they were a contagion that went global. The U.S.-led financial system survived, but the economic reputation of the United States—the prestige that Luce understood as a key element of its power—was devastated.

The final pillar was democracy. For decades, the United States could boast that it was the oldest and most established democracy in the world, with a singular system for preserving individual freedoms and harnessing collective energies. It routinely nudged and sometimes coerced allies and

America was undoubtedly the strongest of the large and dynamic democracies, which in combination with its other two pillars (military and economic) created the American Century. Then Donald Trump was elected president.

adversaries to open up and democratize. That in no way precluded dealing with dictators, but the presumption was that democracy was the best bulwark against autocracy and the best path to affluence. The United States, whatever its flaws, got democracy about as right as anyone. It was never quite the "strongest democracy" according to those who

measured such things: the Scandinavian countries led there. But America was undoubtedly the strongest of the large and dynamic democracies, which in combination with its other two pillars (military and economic) created the American Century. Then Donald Trump was elected president.

Already by 2016, American democracy was showing signs of strain. Public faith and participation in government had so declined as to put the system on notice. But the election of Trump severely eroded the ability of Americans

to say either to themselves or to the world that their process was uniquely able to withstand the pressures of populism and nascent authoritarianism that Americans for decades had preached against. Arguably, Trump has done much less damage than his many critics aver, and that may indeed reflect a domestic system of checks and balances that makes it devilishly difficult for any one president to commit major abuses of power.

But the strength of American democracy in the world was also as a symbol and a beacon, one that drew immigrants and talent because of the opportunities that the United States offered and nurtured. On that score, the Trump Administration dramatically eroded the United States' global standing. Yes, the image of the United States also suffered mightily in the 1970s, with the humiliation of Vietnam and the revelations of American anti-democratic policies in much of what was then known as the Third World. It is possible that had the economic revival of the 1980s not happened, the American Century would have ended then. It didn't, but then came the pandemic.

THE CHINA QUESTION

Much as Chinese Premier Zhou Enlai once famously said of the legacy of the French Revolution that it was too soon to make final judgments, it is premature to start ranking nations

conclusively by how well they met a pandemic that is still raging. It is clear, however, that what may be American strengths in other contexts are in this moment a panoply of weaknesses: decentralized domestic governance, highly contested politics, and immense cultural variations across states and regions. All of those inoculate Americans against autocracy and government overreach but leave the country vulnerable to national crises that require a unified response.

Coming in the midst of the Trump Administration, the American pandemic response has deeply dented if not utterly crushed the image of the United States as an ambassador for good governance and democracy—and with it, the last pillar of the American Century.

Many in both the United States and throughout the world may believe that the end of the American Century is tragic, but the dawn of the Anti-American Century holds the promise of better times for the globe and represents an opportunity for Americans to finally confront their country's structural problems. After all, unless one believes that the United States has a monopoly on the desire for peace, individual rights, and prosperity, 7.8 billion people and nearly 200 nations large and small are just as capable as Americans of acting in those collective interests. To believe otherwise is to hold that the

only formula for international stability and prosperity is an endless continuation of the American Century.

All this inevitably leads to the question of China and its status as an emerging global power, especially as the United States retreats or is forced to retreat. True, China defines rights differently than the United States, and many outside of China may not find that template an appealing one. But the Chinese template remains a Chinese one, propagated by a government that seems quite interested in keeping the global peace even while asserting its power.

One can argue that China is slowly inching its way toward becoming a new global hegemon, but outside its immediate sphere in East and Southeast Asia, it seems uninterested in the internal affairs of other countries and uninterested into extending itself beyond an interest in securing resources through economic policy. That may change as China becomes more powerful, but for now, China is less a threat to most other countries than a threat to the continued American assertion of its status as *the most powerful country*. In that sense, China is an existential threat to the United States, but in that sense as well,

the threat is almost only existential: the rise of China doesn't much threaten the United States or any other country economically, other than Taiwan and its own embattled internal minorities such as the Uigurs and Tibetans. Those are real issues, but do not in themselves make the case that a rising China proves the need for the United States

to remain a hegemon or else the stability of the world is imperiled.

And whatever one thinks of China's future, it remains true that one would have to think that the United States is somehow a freakish and exceptional nation alone committed to peace and prosperity to believe

firmly that the end of the American Century spells a backward step for humanity.

As for the United State domestically, decades of global preeminence have not done Americans well at home in recent years. Standards of living have stagnated and not kept pace with those in numerous other countries. Racism persists. None of the countries that have excelled at education, healthcare, and standards of living are as large or complicated as the United States, but even by its own standards, the country has fallen short of what it once achieved. It

One would have to think that the United States is somehow a freakish and exceptional nation alone committed to peace and prosperity to believe firmly that the end of the American Century spells a backward step for humanity.

spends massively on education, infrastructure, poverty alleviation, health-care, and defense—but it does not manage to spend smartly. Yes, material life is better now for almost everyone than it was 50 years ago: people

live longer, have more healthcare, eat better, are more educated, live in safer cities and towns; but that is true everywhere in the world. The United States cannot toot its own horn here.

The simple fact is that success and strength—military, political, economic, and to that add cultural—are not birthrights. The United States doesn't get to be great or powerful just because it used to be, although it certainly can help to have a head start. If the country was ever truly exceptional, it was exceptional because successive generations worked and fought and struggled to make it so, not because those generations patted themselves on the back. There have been acute moments of

hubris and overreach during the decades of the American Century, but never has the disconnect between what the United States is and what Americans say it is been so profound.

There have been acute moments of hubris and overreach during the decades of the American Century, but never has the disconnect between what the United States is and what Americans say it is been so profound.

Out of this moment, therefore, should arise the promise not of American exceptionalism but American humility, a moment of recognition that, to move forward, the United States has to let go of the American Century, say goodbye to exceptionalism, and accept that it is a normal country like

any other, just richer and with a massive military arsenal and multiple wells of strength and multiple areas of self-delusion. The end of the American Century offers the opportunity to look at where the country falls short and start fixing what is broken. Who knows whether Americans will seize that opportunity. But this end is not a tragedy; it is the beginning of something new. ●

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THE UN AT CROSSROADS OF COVID-19

Richard Gowan

As the spread of COVID-19 accelerated worldwide in March 2020, there seemed to be little to feel positive about. Yet when UN Secretary-General António Guterres called for a global ceasefire to allow medics and aid workers to respond to the pandemic in warzones, there was a glimmer of hope that his initiative could help reduce violence and suffering worldwide.

Governments and guerrilla groups around the world initially responded positively to the appeal. Yet in the weeks and months that followed, the global ceasefire was a victim of bickering between China and the United States over COVID-19, as the two big powers blocked the Security Council from backing it.

This dispute symbolized the poor state of Sino-American relations at the UN, which have deteriorated

markedly since Donald Trump took office in 2017, in line with the wider worsening of relations between Washington and Beijing. It also seemed to capture the Trump Administration's broader disdain for multilateral diplomacy. And for those states and analysts that believe the Security Council needs to do more to counter non-traditional threats—such as pandemics and climate change—it was a depressing reminder that the Council has a long way to go before it can really grip these challenges.

The saga of the global ceasefire call was only one small part of the global drama created by COVID-19. But it offered some telling insights into the roles of the America, China, the Security Council, and UN Secretary-General on the world stage at a moment of acute stress for international cooperation.

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Photo: UN Photo

The lights remain on in the Security Council's chamber, at least for now

DECEPTIVE OPTIMISM

In the fortnight after Guterres first proposed the ceasefire idea on 23 March, the UN estimated that conflict parties in eleven countries signaled some interest in the initiative. This figure was a little deceptive. In cases including Libya and Ukraine, conflict actors recognized the call, but kept on fighting regardless. Yet there were also cases, such as Thailand, where armed groups announced ceasefires in response to COVID-19 but didn't make an explicit reference to the UN in doing so.

The ceasefire call was also a public relations success, backed by Pope Francis

and over one hundred UN member states. Over 2 million people signed an online petition backing the concept. The International Crisis Group, for which I work, was one of many advocacy groups to add its support to the initiative, although we cautioned that it was “most likely to be embraced by some, rejected by others, and—even when accepted—observed with varying and evolving degrees of rigor.”

Perhaps most promisingly, UN Security Council diplomats in New York began talks in early April, on passing a resolution endorsing the ceasefire appeal. While China and the United

States were already at loggerheads over the origins of COVID-19 and Beijing's initial management of the outbreak, it looked like the Council had an opportunity to signal a sense of common purpose in the face of the virus.

Yet in the second quarter of 2020, both the global ceasefire championed by Guterres and the Security Council's debates over COVID-19 went off the rails. Only a small number of states and armed groups actually ceased hostilities and some of those that did—such as rebels in Colombia and the Philippines—formally renounced their ceasefires after little more than a month of pausing violence. In the meantime, the Security Council got bogged down in Sino-American bickering over COVID-19, only managing to pass a resolution at the beginning of July 2020. This resolution called for a 90-day humanitarian pause in conflicts worldwide, but it was clearly too little, far too late, and had no observable impact in the months that followed.

In the meanwhile, Guterres has kept calling for a new ceasefire push, but UN officials admit that it has “fizzled.” Why did the global ceasefire appeal, which seemed to hold such promise, fail to have more impact? And can the

Secretary-General and the Security Council engage more effectively with COVID-19?

AMBITIOUS GUTERRES

The global ceasefire idea was always ambitious. Local political realities got in the way of Guterres' global vision in many conflict zones. In some cases, certain combatants were willing to cease violence but their opponents were not interested in taking up the offer. In Cameroon, for example, one rebel group was quick to endorse the global ceasefire in late March 2020, but the government simply ignored it. In Colombia, rebels instituted a month-long pause in violence but demanded extensive political talks with the government in Bogotá in order to extend it, which the government was not willing to offer.

Even where there was seeming goodwill among conflict parties to pause violence in response to COVID-19, there was often a lack of ceasefire architecture for taking advantage of these offers. It is one thing for an armed group to say it wants to reduce violence, but another to translate that wish into a technical ceasefire agreement with clear terms and some sort of security guarantee that all sides can accept. In normal times,

In the second quarter of 2020, both the global ceasefire championed by Guterres and the Security Council's debates over COVID-19 went off the rails.

the UN and international actors can help frame such agreements.

But in the first months of the pandemic UN envoys were largely unable to travel due to flight restrictions. International peacekeepers in countries like South Sudan had to limit patrols for fear of contacting or spreading the disease. International officials did their best to promote the global ceasefire idea, but these restrictions meant that they struggled to engage with conflict parties.

This may have resulted in some missed opportunities. In the Philippines, the government called a unilateral pause in operations against the Communist Party of the Philippines (CPP) rebels before the UN appeal. The CPP did not initially reciprocate, but it did offer a ceasefire after the UN call. Yet it didn't work, partly because the two sides had no real way to operationalize their commitments. They pursued overlapping but uncoordinated ceasefires through April 2020, with messy results. Soldiers and communist rebels would inadvertently cross paths and end up in skirmishes. Violence increased to pre-COVID-19 levels and the CPP ended its ceasefire later in the same month.

Another reason the ceasefire sputtered may have been the nature of COVID-19 itself. In late March

2020 many observers expected the pandemic to create a sudden and deep catastrophe—including rapid spread of the disease and high levels of fatalities in fragile states. Yet in many conflict-affected areas, its impact proved less dramatic. There have been serious outbreaks of the virus in cases including Afghanistan and Yemen, but they have not significantly shaken up the calculations of warring parties, perhaps

It was clearly too little, far too late, and had no observable impact in the months that followed.

because the disease takes only a limited toll on those of fighting age.

For all these reasons, the odds against the global ceasefire taking flight were always significant. Addressing the UN General Assembly in September 2020, Guterres admitted that “deep mistrust, spoilers, and the weight of fighting that has festered for years” had got in the way of his original vision.

NON-TRADITIONAL THREATS

But the fact that the Security Council failed to throw its weight behind the initiative quickly sapped the initiative's overall credibility, and turned a promising concept into a huge headache for United Nations system as a whole.

COVID-19 has presented a clear and pressing test of the Security Council's ability to address “non-traditional security threats,” as UN officials term a grab

bag of challenges including pandemics, climate change and organized crime. The Council has engaged to some degree with these challenges in the post-Cold War era, first taking up health in the context of HIV/AIDS in 2000 and climate change starting in 2007.

With a handful of exceptions, its work in these areas has been fairly tentative, and some current term members of the Security Council would like to see it take a more active role. Belgium and Germany have prioritized climate change, while Estonia

has made cybersecurity its flagship issue. But these members face pushback not only from China and Russia, which insist that the Council should concentrate on more traditional peace and security issues, but also from the Trump Administration, which has a particular dislike for talk of climate change. In July 2020, Germany decided to drop proposals for a resolution focusing on climate security—authorizing a UN envoy to tackle the subject—after the United States promised to veto it.

Of these non-traditional threats, pandemic response has often seemed to be the most promising area—aside from organized crime—

for Security Council action. In 2014, otherwise a difficult year for UN diplomacy over Syria and Ukraine, the Council united around a resolution endorsing international efforts to stamp out Ebola in West Africa. In 2019, the

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Council monitored a further Ebola outbreak in the Democratic Republic of Congo, where UN peacekeepers worked with health experts to get aid into volatile regions. Prior to COVID-19, Germany clairvoyantly signaled that it wanted to use its two-year term to spur discussion of pandemics, a personal priority

for Chancellor Angela Merkel.

LIMITED TOOLKIT

Yet COVID-19 demonstrated at least two significant weaknesses—concerning its policy tools and major power politics—in the Council's capacity to deal with global health crises.

First, as a practical matter, the Council's toolkit is still limited. As the pandemic spread, it was not entirely evident what the Security Council could concretely do about it, beyond expressing concern. In 2014, the Council's tools for dealing with Ebola in West Africa were pretty clear. The

UN had peacekeepers in Liberia who could assist with logistics and other aspects of the medical response, as well as a significant humanitarian and development presence in the other two countries affected by the disease, Guinea and Sierra Leone. By throwing its weight behind use of these UN assets to counter the disease, and encouraging member states to pledge additional resources to the effort, the Security Council added urgency to the global response to Ebola, while the United States largely coordinated the successful effort to contain the outbreak. (It helped that America and China worked collaboratively to fight the disease, rather than lobbying political grenades at each other, as they have in the COVID-19 era.)

By contrast, COVID-19 presented a threat of a different scale and nature. Already in March 2020, there were reported cases on every inhabited continent. In most states where it struck early, like Iran and Italy, there was little if any UN humanitarian or security presence, reducing the Security Council's ability to forge a response. Had a major power launched a global effort to marshal resources to meet the crisis, as America did with Ebola in 2014, the Security Council might have lent its

political heft to supporting that. But that did not happen: Washington sat on the sidelines and its biggest competitor, Beijing, did not step into its shoes.

Lacking many of the options that had been available to the UN in the Ebola crisis, the Council members spent early

Had a major power launched a global effort to marshal resources to meet the crisis the Security Council might have lent its political heft to supporting that.

April 2020 tussling over the scope of any potential resolution. All agreed that the Security Council should endorse efforts by UN peace operations to help tackle the disease in their areas of deployment—a task that the blue helmets

undertook even without the Council's urging, while trying to avoid spreading the disease themselves. But while Tunisia, which led discussions among the ten elected (E10) term members of the Council, initially envisaged a broad resolution with passages calling for international cooperation on public health issues, including training medics and developing a COVID-19 vaccine, the majority of diplomats felt the Council should not (in the words of one European official) “bite off more than it can chew” by commenting on non-security-related matters.

It was against this backdrop that both the E10 and the five permanent members (P5) of the Security Council, led by France, began to focus

on Guterres' call for a global ceasefire as a well-defined flagship topic that both served the purposes of pandemic response and clearly fell within the body's remit of preserving international peace and security. Although some of the P5, including Russia, the UK, and the United States, made it clear that they would

not sign onto any text curtailing their conduct of counter-terrorism operations, nobody was fundamentally opposed to the ceasefire idea.

BEHOLDEN TO POLITICS

The second Security Council weakness

that the episode highlighted is that, even when confronting a true global threat like the coronavirus pandemic, policy is often beholden to politics. While everyone could get behind a global ceasefire in theory, it was not anyone's overwhelming priority, and China and America in particular had bigger point-scoring goals to pursue. The United States saw the resolution as a chance to try to assign China responsibility for the disease (at first demanding that any Security Council text refer to "Wuhan virus") while refusing to accept even a passing reference to the World Health Organization (WHO) after Trump suspended funding to that body in April 2020, blaming it for failing to challenge China during the initial COVID-19 outbreak.

China's immediate priority was to block any implicit or explicit criticism of its handling of the disease, but it also saw an opportunity to embarrass the United States over its abandonment of the WHO and cast Washington as a spoiler on the Security Council. While Chinese and American officials in New York were

ready to compromise on an indirect reference to the WHO in May, Washington nixed this deal, killing off further Security Council discussions of COVID-19 until late June 2020.

The basic reason that the Security

Council underperformed in the face of COVID-19 was, therefore, exactly the reason it underperforms on many other issues: big power tensions. This fact hardly went unnoticed in New York. Some Council members favored calling a vote on the COVID-19 resolution in early May, to see if either Beijing or Washington would really veto it. France, which had led P5 discussions of the process, demurred, along with Tunisia. One diplomat observed that the whole process was "trivial," as both China and the United States placed throwing political punches above securing a resolution, while other Council members did not feel strongly enough about the idea to challenge them.

The basic reason that the Security Council underperformed in the face of COVID-19 was, therefore, exactly the reason it underperforms on many other issues: big power tensions.

While France and Tunisia eventually found an extremely vague formula for referring obliquely to the WHO that everyone could accept, leading to the belated passage of Security Council Resolution 2532 endorsing a 90-day humanitarian pause in conflicts worldwide, the whole episode was discouraging for those who would like to see the Security Council do more to address non-traditional threats. Once the resolution was out of the way, the Council quickly turned its attention to other more concrete matters, such as humanitarian assistance to Syria and sanctions on Iran.

When the 90-day ceasefire period finished at the end of September, nobody bothered to mark its passing, as it has been a non-event.

Only one rebel group—the Ejército de Liberación Nacional in Colombia, which had already temporarily laid down arms in spring 2020—expressed any interest in taking up the Security Council's call, but this went nowhere. When the 90-day ceasefire period finished at the end of September, nobody bothered to mark its passing, as it has been a non-event.

UNHEALED RIFTS

While UN officials and other mediators have kept up their peace-making efforts through the pandemic—and there have been some reductions of violence in cases including Libya, Syria, and Ukraine during the year—they have tended not cite the global ceasefire idea with any frequency. Governments and

armed groups appear to be basing their decisions for and against peace according to political and military factors largely unrelated to the pandemic.

Resolutions 2532 has at least offered Guterres and his advisors a mandate to keep pressing the Security Council to take the security risks of COVID-19

seriously. He has been increasingly blunt in his briefings on the topic. "The pandemic is a clear test of international co-operation," Guterres told the council in late September 2020, "a test we have essentially failed."

But the rifts that COVID-19 revealed in the Security Council this summer are far from healed. At the same September meeting in which Guterres offered his blunt assessment of failure, America's ambassador to the UN Kelly Craft accused China of "unleashing this plague onto the world." Her Chinese counterpart Zhang Jun responded that "the United States has been spreading a political virus and disinformation and creating confrontation and division."

Nonetheless, it is unlikely that the Security Council will stop talking about COVID-19 for a while. After all, it is clear that the coronavirus is not merely a pathogen causing a health crisis but also a catalyst for economic shocks that can

(as we have already seen in Lebanon) lead to political crises and disorder.

It is not clear how the disease will play out region by region—and so far it has not been quite as destructive in some weak countries as seemed likely in March 2020—but it would be a brave ambassador at the UN who would bet that the health, economic, and social fallout from the COVID-19 pandemic will not lead to more political instability.

STILL ILL-PREPARED

Guterres should continue to take an expansive view of his mandate to report on COVID-19 to the Security Council—offering its members early warnings of potential virus-related crises and conflicts based on UN economic and humanitarian analysis as well political reporting. That could give Security Council members chances to grapple with looming crises before they run out of control, although it is not clear that policymakers in Washington, Beijing, or Moscow will respond with alacrity.

To date, the Security Council has proved ill prepared to respond to a global challenge on the scale of COVID-19. This Secretary-General cannot resolve the rifts among the big powers that severely hamper the work of the Security Council.

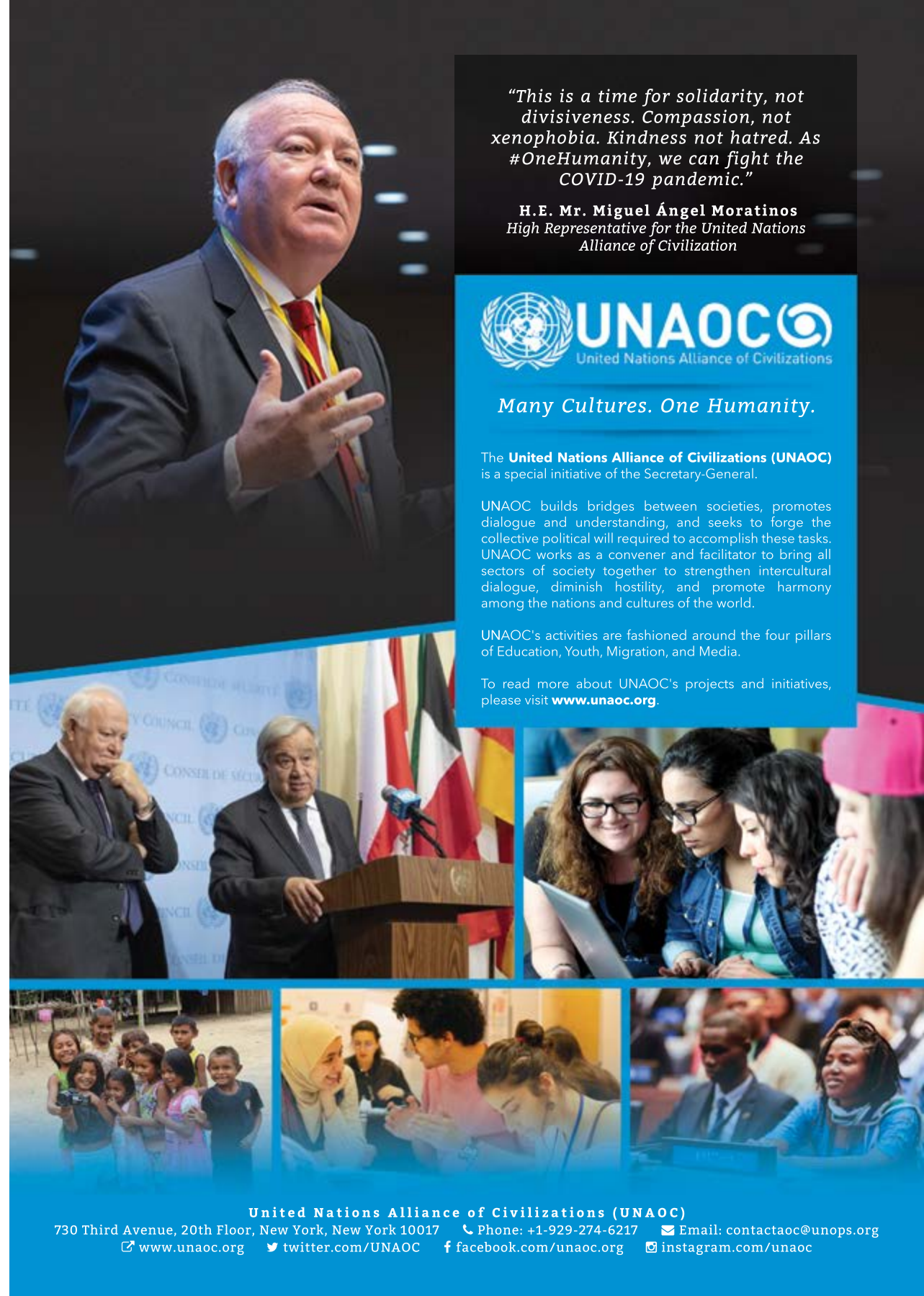
But Guterres can at least use Resolution 2532 as the basis to warn Security Council members of the pandemic's evolving security implications, in the hope that they will respond a little better to the risks it creates than they have so far.

A Biden Administration would be likely to take the Security Council more seriously than Trump has done to date, and would also invest more in addressing non-traditional threats.

Whether Security Council members—and specifically China and the United States—will respond positively is a different question. It is clear that the forthcoming U.S. election will have a significant impact on

American policy at the UN. A Biden Administration would be likely to take the Security Council more seriously than Trump has done to date, and would also invest more in addressing non-traditional threats.

So in the case of a Biden victory, the story of the global ceasefire could provide some useful food-for-thought in Washington about how to manage the security implications of future pandemics and other challenges like climate change more effectively. Yet U.S. tensions with China at the UN are liable to persist, whoever sits in the White House. The global ceasefire debate may have ultimately been “trivial” but it stands as a cautionary tale of how big power tensions may reshape and complicate multi-lateral diplomacy in the years ahead. 🌐



“This is a time for solidarity, not divisiveness. Compassion, not xenophobia. Kindness not hatred. As #OneHumanity, we can fight the COVID-19 pandemic.”

H.E. Mr. Miguel Ángel Moratinos
High Representative for the United Nations Alliance of Civilization

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UPENDING SCLEROSIS

AMERICAN LEADERSHIP IN RECALIBRATING GLOBAL INSTITUTIONS

Danielle Pletka

DONALD Trump has made no secret of his hostility to the World Health Organization (WHO). In the summer of the coronavirus, 2020, he lambasted the WHO's performance in stark and explicit terms: "The W.H.O. really blew it," Trump tweeted. "For some reason, funded largely by the United States, yet very China centric." Well, yes. But it's not just the WHO. China has over recent years engaged in a well-documented effort to extend its regulatory, technological, economic, political, and (when possible) security reach using United Nations bodies as its favored vehicle. Both the International Civil Aviation Organization (ICAO) and the World Intellectual Property Organization (WIPO) were recently in its sights, and China's now notorious stewardship of Interpol is well publicized.

But the China problem that has been exposed so dramatically as a result of the COVID-19 pandemic is a subset of a larger and more serious one.

Much of the global infrastructure built in the wake of World War II—think the United Nations, NATO, the European Union, and the Bretton Woods institutions—is aged, sclerotic, corrupt, and incapable of addressing the challenges of the twenty-first century.

Consider the United Nations. Founded in 1945, it cemented in place the permanent membership of the Security Council. What is notionally the most powerful quinquvirate is made up of the United States, Russia (which inherited the Soviet Union's seat after the empire's collapse), France, the United Kingdom, and the People's Republic of China (which took the Republic of China's seat in 1971). Some of that makes sense—the United States remains the world's most potent economy and military power—but what of the others? If seats were allocated based on a rationale that wasn't rooted in the end of World War II—no Germany, no Japan—would Russia have a seat

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The Recalibrator-in-Chief?

(it is now the world's eleventh largest economy)? France (seventh largest)? Would China have enjoyed a seat when its economy was less than one tenth of that of America? Perhaps, because it is the world's most populous nation. But then why isn't India a member?

NATO was also founded on the ashes of World War II. But it has proven itself incapable of contending with the modern era. Repeated efforts to remind members of the importance of NATO as a defense pact—its actual and original purpose—have faltered in recent decades. Most members don't spend near the pledged 2 percent of

their GDP on defense, and there are real questions about their commitment to the principles underlying the organization, illustrated nicely by Turkey's recent purchase of Russia's NATO-killer S400 air defense system.

As of this writing, nine NATO member states are at their 2 percent target whilst the others have rapidly swelling social safety nets that all but ensure the odds of reaching 2 percent are close to zero. (Unemployment in the EU over the last decade averaged close to 10 percent, much higher in weaker economies such as Greece and Portugal; as the population ages, those numbers will inevitably

rise.) What is the alternative? As much as café society reviles the notion, the truth is that much of NATO has come to rely on the American military umbrella on those ultra-rare occasions when they can muster the enthusiasm for any military activity at all. The dubious NATO outing in Libya laid bare the pathetic state of Europe's militaries: incapable of sustaining action for more than days with short supplies of precision guided munitions, dumb bombs, and insufficient lift to manage without the United States. Surely some evolution is necessary to help the organization remain "resilient"—that favored twenty-first century notion.

Then there's the economic and political alliance that is the European Union, born originally with a view to ending the age of European conflict. To be fair, Europe *en masse* has not gone to war since the end of World War II; the EU has delivered integration once unthinkable.

But the rise of European populists, crushing imbalances in economic and foreign policy, a drift away from democracy among new members (ahem Hungary), and Brexit also underscore the fragility of the EU in its current form. Nor

has the EU reckoned how to manage the outside infiltration and destabilization efforts of powers like Russia and China.

Rather, the EU operates much as it has done for decades, increasing in

size even as substantial minorities within its member countries chafe at what they see as autocratic and undemocratic rule from Brussels.

The financial world is little different from the geostrategic and political. The World Bank and the International Monetary Fund—created by the Bretton

Woods Agreement as World War II still raged—are also showing their age. The World Bank went through a disastrous and demoralizing "reform" under Obama Administration appointee Jim Yong Kim, and is now weathering yet another scandal over the axing of a large part of its own anti-corruption team for being, incredibly, too anti-corruption. Similarly, the IMF has been under assault by angry leftists opposed to the IMF's institutional insistence on privatization, austerity, and small government that are the organization's hallmarks.

But like their counterparts in the strategic and political universe, the world's leading financial institutions

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and governors have resolutely kept their heads in the sand about new challenges to their development and lending models. The People's Republic of China awoke to the possibility of predatory lending some time ago, and has executed its Belt and Road project accordingly. Far from the strings-attached principle-driven practices of the Bank and IMF, Beijing is entirely transactional, looking to mechanisms from debt traps to dubious infrastructure projects to enmesh its victims in obligations. The Arab Gulf states, following the model, have also begun looking to Africa for quasi-client states they can entice with generous financial and project lending.

The quid pro quo school of lending pioneered by the People's Republic of China has led to Beijing enjoying a 99 year lease on a key strategic port in Sri Lanka after the South Asian nation was unable to pay back a loan. China also owns most of the debt owed by the government of Djibouti, in the Horn of Africa. China now has a military base there. And Arab Gulf countries are now engaging in similar transactional development and investment. As Karen Young of the American Enterprise Institute writes:

Gulf Arab states are engaging in unprecedented economic interventions across several key African states. Sudan and Ethiopia have received generous central bank deposits, aid, foreign

direct investment and commitments of future support totaling nearly \$20 billion since 2011. Gulf financial support (in loans, in-kind oil and gas, investment, and central bank deposits) to Egypt has reached nearly \$90 billion by some estimates in the same period. Pakistan is another major recipient of Saudi and Emirati aid and investment support, with commitments of more than \$30 billion in the past year alone.

Suffice it to say, these are not American or European lending and investment practices. Instead, they are focused on ensuring congenial leaders remain in power, cushioned by loans or grants that ensure their tenure rather than leveraging influence for good governance, market economic practices, and transparency.

ALL SHOOK UP?

Too many stars in the postwar constellation have struggled in recent decades, unsure of a path forward, uncertain about their own relevance, incapable of contending with new challenges ranging from the rise of populist parties and the tsunami of cyber threats to the spread of Salafi extremism and the birth of new diseases. Even the concept of competing with dangerous ideas has not occurred to most. The COVID-19 pandemic should be an inflection point for the world, a wake-up call to revisit and reform that infrastructure for the twenty-first century.

Part of the difficulty in upending post-war institutions is the difficulty of beating something with nothing. The consensus created by the twin crises of the war against Germany and Japan, and Stalin's march westward in the immediate aftermath was unprecedented. And the fact that almost no major nation except the United States escaped the war largely intact put all the marbles in Washington's hands. Those marbles are now well dispersed, and even 9/11 did not create a crisis that lasted long enough to allow for a major reinforcement of global institutions. To the contrary in some cases: While the first invocation of NATO's Article 5 initially restored lagging faith in the North Atlantic alliance, it quickly became evident that few of the nations stepping up actually had any real military capability.

The question is, can the rolling effects of the coronavirus pandemic shock the world enough to begin a recalibration? Enough to ask ourselves, for example:

Should there be a global health organization made up only of responsible, transparent, and democratic nations?

Should there be a global security alliance, or group of alliances, of democracies

that will not invade and annex vast swaths of other nations' territory?

Should there be international development and lending institutions capable of adapting to compete with predacious efforts like China's Belt and Road Initiative?

Should there be trading alliances in which members respect intellectual property and the international rules of the road?

Should customs unions like the EU have rules about adherence to democratic norms and principles?

Should NATO be modernized?

The answer to all of these questions is yes. But that requires not simply a vision about a positive agenda and reform to existing institutions, it requires the kind of leadership that few national leaders are willing to ante up. One of the reasons that such organizations were successfully formed and sustained over decades was the unique consensus forged during war. Both the negative incentive of future conflict and the positive agreement about elements of global leadership helped to smooth over what would otherwise have been significant differences. (Indeed, previous such efforts had always foundered over those very differences.)

The COVID-19 pandemic should be an inflection point for the world, a wake-up call to revisit and reform that infrastructure for the twenty-first century.

Can such circumstances be recreated absent conflict? Or is a shock to the system required in order to drive the parties from the predetermined path?

OVERCOMING THE RETREAT CONSENSUS

During the Cold War, it was American leadership that constituted the engine of continued success for many multinational enterprises. But American leadership is now in doubt, as isolationists on the left and the right conspire to have the United States step back

from its global role. Despite *sturm und drang* on the American political scene, there is surprising consensus around some form of global retreat. Democrats press for form—respect for allies, international institutions, international law—but functionally argue little differently than many Republicans. Contenders for the White House in 2020 both supported a retreat from the Middle East and a retreat from the two-decade war on terrorism. All agree that the People's Republic of China represents a unique threat, but there is little agreement about how to confront it. The mantra from the White House is likely to remain “do less” until something blasts the next president from his complacent position in the West Wing.

American allies too could do more. Rumor had it that Trump frequently asked what U.S. allies were willing to do to confront challenges on the global stage, only to receive blank stares. After half a century of following, those allies were all too often unwilling to set out positions, hoping (despite their antipathy to Trump) that the United

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States would act instead. The initiative need not always fall to Washington. And there are other substitutes to American presidential initiative. In the United States, the Congress has often—more often than

recent presidents—stepped in to guide important change. It was Congress that led the way on NATO expansion; Congress that led the way on marginalizing Russia; Congress that forced the White House to renegotiate America's dues to the United Nations, and more. National legislatures, while much weaker in Europe and Asia, can also play a role where the executive falls short.

Where to begin? The first is to forge a recognition that the status quo is unsustainable. A World Health Organization that serves Beijing is not what the American taxpayer had in mind, and likely not what Europeans aim for either. The United States has rethought its membership in the WHO until reforms are made

that marginalize states that falsify health data. Other UN groupings are also on notice that America will no longer fund specialized agencies like ICAO, WIPO, and the Human Rights Commission that are headed by states inimical to the aims of those agencies. But it shouldn't just be the United States; it will help in this and other projects to begin to gather a group of like-minded states—the UK, Australia, others—who see the problem the same way.

Part of this effort must understand that while it is tempting to blame “the WHO,” “the EU,” “NATO,” and “the IMF” for the troubles that beset these groupings, in reality, they are just that: groupings. The so-called international community is, despite the daydreams of Wilsonian internationalists, nothing more than a sum of its parts. When multilateral organizations like the WHO fail, it is because its members have allowed it to do so. The same is true for alliances like NATO, would-be global governors like the UN, development financiers like the World Bank, and all other such supranational organizations. It has become convenient to deny national powers agency, but in truth, it is they—and only they—that have the agency to effect reform.

LEVERAGE

The leverage that such a like-minded group can have is, unsurprisingly, money. Until Trump pulled the United States from the WHO, American contributions were almost 16

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percent of the organization's annual budget. The United Kingdom's are almost 8 percent. Germany and the EU collectively add another 8 percent. The U.S.-dominated World Bank kicks in another 3 percent. In

short, this group of countries can—if they can reach consensus on the imperative for change—reform the WHO in ways that increase the accountability of its leadership and the bureaucracy.

Likewise at the World Bank and IMF, a coalition of the willing can have transformative power. If these institutions are to compete with China and Arab Gulf states in lending with a view to development and best financial and governance practices, something will have to change. The notion that business-as-usual lending, with all of the attendant demands for austerity measures, free trade practices, and regulatory clean-up will continue to transform the world as it has over the last seven decades is fantasy.

If the Bretton Woods institutions are to take on the predatory and pernicious

practices of the Belt and Road Initiative and its Arab mimics, they will need new incentives and new thinking about how to compete with self-interested, unprincipled, and wealthy lenders in the Near and Far East. That new thinking may well include demands that countries ponying up to the window reveal the extent and nature of their other obligations; more proactive assistance proffered to help assess both the viability and wisdom of projects and project financing from non-bank sources; or facilitating debt restructuring to stabilize economies at risk.

Within NATO, as in so many of these other aged organizations, there is a strong desire on the part of alliance members to “keep the myth alive,” as former U.S. Secretary of Defense Donald Rumsfeld used to complain. But continuing the pretense that NATO is a group of Western-oriented states is unacceptable when Turkish leader Recep Tayyip Erdoğan is playing footsie with Vladimir Putin's Russia, investing in NATO killing S-400 air defense systems. Some insist NATO cannot survive any bickering at the top, as it is already under strain from European leaders who hope to build a competing European Union military alliance. But allowing NATO's destruction from within is simply a quieter way to allow the organization to collapse.

There are interim steps that members can take to encourage reform. The first step is to recognize that reform is needed, and to frankly discuss problem members of the Atlantic Alliance. That requires leadership. Another early step should be to begin discussion of amendments to NATO's Charter that contemplate expelling non-cooperating or anti-democratic member states. The other is to offer a clear choice to those miscreants; there must be a pathway to better conduct, a clear choice posed to backsliders that on the one side rewards cooperation and on the other promises consequences. The era of consequence-free behavior must end.

The same kind of leadership is imperative for the European Union. As Brussels contemplates allowing in yet more EU members from the Western Balkans, insufficient thought has been given to just what these powers represent, and whether the EU is sustainable on its current growth path. Yes, French president Emmanuel Macron has suggested a pause in expansion, but treading water won't solve the problems either. In the first instance, major divergences in intra-EU economic practice have been solved with massive borrowing on a credit rate dictated by the German economy, but one that would more realistically be represented by the faith and credit of Italy. Disagreements over border practices and immigration have been shunted to the side with payoffs and

The era of consequence-free behavior must end.

bizarre compacts that shuffle crowds of human misery from one shore to the next. This is, after all, Europe, not some Third World redoubt.

European powers are all too reluctant to look at the sources of their problems, whether in Damascus and Ankara, or closer to home in Moscow, or better

still in Rome or Athens or Lisbon. The answer is not to demand that states relinquish yet more sovereignty to the great unelected mass in Brussels, but rather to build consensus around urgent challenges. Russia's invasion of Ukraine provided just such an opportunity, as has Putin's policy of extrajudicial assassination on European soil. But the reaction of European states as a collective has been slow and fraught. Rather, it is time for the financial backers of the great European experiment to begin to leverage their economic power to present choices to the collective. Part of the problem here is the central role of a hesitant and conflict averse Berlin. Ideally, it would become clearer to Germany and Europe's other

European powers are all too reluctant to look at the sources of their problems, whether in Damascus and Ankara, or closer to home in Moscow, or better still in Rome or Athens or Lisbon. The answer is not to demand that states relinquish yet more sovereignty to the great unelected mass in Brussels, but rather to build consensus around urgent challenges.

economic leaders that a consensus regarding internal backsliding and external threats is imperative for the survival of the Union.

ADAPTATION AND CHANGE

In each instance, whether it's the EU or the World Bank or another of the post-war pillars of the international order, adaptation and change are necessary for survival. The EU won't last if its members cease paying in, cease observing democratic norms, and edge toward conflict with one another. The market principles the World Bank and the IMF once propagated without competition will weaken, and they risk being overtaken by regional fiefdoms that reject the open trading system that has transformed the world.

Failure to reform will eventually mean that the very instruments that made us at once prosperous and peaceful will fade in importance. And with their fading will go the prosperity and peace we have come to take for granted. ●



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IT WILL GET WORSE BEFORE IT GETS WORSE

LOOKING TO THE FUTURE OF U.S.-RUSSIA RELATIONS

Dmitri Trenin

THE 2020 U.S. presidential elections offers a bleak prospect for Moscow. Regardless of who will win the race for the White House, U.S.-Russian relations are going to get worse, and maybe much worse. A re-election of Donald Trump would elevate the anti-Russian frenzy among the Democrats to an even higher pitch than in 2016, with accusations of Russian meddling, already made frequently during the campaign, leading the U.S. Congress to impose even more sweeping and more stringent sanctions on Russia. On the other hand, a victory by Joe Biden would produce a President who would need to show the Kremlin that he is not “Putin’s puppy,” as Biden called Trump during their late-September televised debate, and that he would have no problem not just lambasting Putin’s foreign and domestic policies without mercy, but also making Russia pay a really high price for its misdeeds.

Personalities matter, but U.S.-Russian relations these days are not that much dependent on who’s the boss of the White House or the Kremlin. The seven-year-old highly asymmetrical confrontation between the two countries, which began in the wake of the Ukraine crisis, is properly labeled systemic, and the American sanctions subsequently imposed on Russia are deemed to be eternal. In all probability, these sanctions will last decades and survive long after what had caused them is no more. In 2014, it was Ukraine that became the last straw that broke the relationship, but the issue was much wider than Ukraine. Essentially, the end of the Cold War three decades ago has failed to produce a settlement that the defeated party, Russia, would be happy with. Throughout history, such victories promised the onset of a new conflict in the generation that followed the previous one.

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Russia must maintain equilibrium but not equidistance between America and China

Today, the United States is seeking to uphold its primacy and dominance, even if under Trump the concept of U.S. global leadership has receded somewhat, while Russia is seeking to keep its sovereignty vis-à-vis the power of the United States as well as its ability to define and defend its own security interests, and also act accordingly. Washington has found it impossible, so far, to make Moscow change its policies. For its part, Moscow has had to pay an ever growing bill of problems caused by the U.S.-led drive to restrict its access to global finances, advanced technology, and economic opportunities.

CONFRONTATION & ENTENTE

THE Moscow-Washington rivalry, as asymmetric as it is, is linked to the power redistribution processes changing the world order, and each country’s position and role within that order. With Trump in office, the United States has decided to confront, before it is too late, a very powerful and dynamic challenger, China. Russia, stymied in the West—due to the aforementioned confrontation with the United States and a serious deterioration of relations with Europe, particularly Germany, has expanded its ties with China as its most important economic and geopolitical partner in the world.

Thus, America has found itself in a confrontation with both China and Russia, while Beijing and Moscow in turn have upgraded their partnership to something one might call *entente*: a high degree of mutual understanding and policy coordination between the two leaderships, complete with a capability to manage their inevitable differences.

The idea, once popular in the Trump entourage, of weaning Russia off China has virtually no chance, however. Moscow values its good relations with Eurasia's most powerful nation, which is also Russia's close neighbor. Undermining that relationship would be sheer strategic madness. Faith in Washington stands about as high in Moscow as the other way around. Moreover, a Biden presidency would probably lead to a change in tone in America's China policy, if not in substance; this would contrast with a hardening of tone from the Biden White House on Russia. It is therefore unlikely that a Kissingerian maneuver—in this case, pointing the geopolitical triangle against Beijing—is in the cards.

It is fair to add here that a further tightening of the Sino-Russian relationship—upgrading the *entente* to an alliance—is similarly unlikely. Russia sees

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itself as a great power, and running into the close embrace of China after having rejected the position of junior partner to the United States would constitute a supreme and bitter irony. Russia's international identity is inseparably linked to

the status of the country as an independent power. In the early 1990s, Moscow played with the idea of Western integration, even accepting U.S. leadership in exchange for some special status within the U.S.-led global system, but in the end it recoiled from the idea.

China, for its part, has only limited experience with international leadership, and Beijing understands that it has to handle Russia with great care.

DASHED HOPES

Against such background, there are very few areas where Russia and the United States can engage each other constructively. For some in Moscow, it had initially appeared that the global crisis provoked by the COVID-19 coronavirus pandemic would provide a rare opportunity to try to reengage Washington. Even though hardly anyone else in the Russian leadership expected a fundamental turnaround in Russian-American relations in the foreseeable future, President Vladimir Putin decided not to ignore the opportunity. This was consistent with a historical pattern

in which Russia tries to use a common threat to reset its relationship with the United States and look for areas of cooperation based on mutual interests.

President Putin hoped for a meeting of top world leaders in Moscow in May 2020 to celebrate the seventy-fifth anniversary of the victory over Nazism; he also called for a summit of the P-5 leaders—America, Britain, China, France, and Russia—to discuss pressing world issues; with regards to the latter he had considered making the trip to New York to attend the annual high-level debate at the United Nations. COVID-19, of course, dispelled these hopes and scrapped his plans, but the issues remain. Now Putin is getting ready to try to re-engage with the new American administration.

In a nutshell, what the Kremlin wants from the United States is to resume dialogue based on mutual interests and without preconditions. Moscow's American agenda is currently essentially limited to strategic stability issues. Following former U.S. president George W. Bush's termination of the Anti-Ballistic Missile Treaty in 2002 and Donald Trump's withdrawal from the Intermediate-Range Nuclear Forces accord in 2019, the New START negotiated by Barack Obama is the last

major agreement in place providing for strategic arms control and inspections. However, the New START is due to expire in February 2021. Russia wanted it to be extended for another five years. The United States suggested attaching conditions to the extension, which in its view should be much shorter in length.

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In 2018, when Russian President Vladimir Putin unveiled a range of new advanced strategic weaponry, he hoped that the impressive display would bring the United States to the negotiating table. Mindful of the experience of the Cold War, the Kremlin would much prefer to limit the U.S.-Russian arms race and preserve strategic stability rather than to engage in an unconstrained arms race with a much stronger rival. Make no mistake, though: Putin considers Russia's nuclear deterrence of the United States to be effective and assured for at least a couple of decades, and is not turning to Washington as a supplicant. Should the New START Treaty be allowed to expire, strategic stability will be only based on mutual deterrence.

DASHED OPPORTUNITY

The coronavirus outbreak, however, did create an opportunity of sorts. The American public's attention was immediately focused on China as the source

of the pandemic. Trump, for whom Beijing, rather than Moscow, has always been the main adversary, was tempted to drive wedges between Russia and China. At the same time, Trump was also concerned by the plight of the U.S. shale industry amid the steep drop in global demand for oil, exacerbated by the Saudi-Russian price war. To deal with the problem, Trump leaned hard on Riyadh in spring 2020 and also reached out to Moscow. This caused a brief spike in direct top-level contacts between the White House and the Kremlin.

Putin readily seized this overture. On China, Trump's efforts was predictably in vain. Although the Russian establishment espouses a healthy realist view of China, it would be ridiculous to expect it to alienate Beijing on Washington's behalf. On oil, Russia cooperated with the United States and was rewarded by becoming part of the newly-emerged global energy troika alongside the United States and Saudi Arabia. Putin also had his own agenda, of course. He made a nod to humanitarian diplomacy by sending a planeload of medical supplies to the United States, but, most significantly, sought to engage Trump in a conversation about arms control. If New START is to be saved, the Trump Administration had to work with the Kremlin on it.

Several working sessions have been held, but despite understanding in principle to extend the treaty by one year and a freeze on nuclear weapons for that period, no final agree has been sealed so far. If the treaty expires without extension, there will be no legal grounds for on-site inspections of nuclear arsenals, and both sides will have to rely on their national technical means. The prospects of post-START nuclear arms

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talks that Moscow has also proposed are even more uncertain, and largely depend on the outcome of the forthcoming presidential election in the United States. If the winner is backed by a comfortable majority, and accusations of Russian election interference are muted, there might be a small chance for the dialogue to begin—but even that will not occur immediately. One thing is clear: reaching new-era arms agreements will be infinitely more difficult than before. Traditional arms control may be over soon.

The ceasefire in Ukraine's Donbas region negotiated in 2020 should remain stable and allow for humanitarian and economic exchanges across the line of contact. These measures are absolutely vital, but there is little that is to be expected beyond that: they represent the most that can be done. The Ukrainian body politic never liked the 2015 Minsk agreement, which stipulates amnesty

for the separatists and near federal-level autonomy for Donbas. Ukrainian President Volodymyr Zelensky does not have enough political capital to overrule them. Russia, for its part, will not abandon Donbas for a vague and most probably empty promise of an end to sanctions. A solution to the frozen conflict in eastern Ukraine will likely remain out of reach for a long time.

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OTHER CRISES

Recent months have seen the eruption of two other crises in Russia's post-Soviet neighborhood. In Belarus, disgruntlement over President Alexander Lukashenko's 26-year-long rule, exacerbated by his cavalier attitude and passive policy toward COVID-19, produced political turbulence following the flawed presidential election of August 2020. While the United States supported the Belarusian opposition, Russia used the situation to make Lukashenko move to integrate the country closer with Russia, which heretofore he had been unwilling to do. The crisis however is not over. Should Belarus become destabilized, this would produce an even more acute showdown in terms of security in Europe's east than the situation in Ukraine.

In Nagorno-Karabakh, a territory in the South Caucasus, disputed by the Armenians and the Azerbaijanis, the

1994 Russian-mediated ceasefire was finally broken in September 2020. In formal terms, Russia and the United States are on the same page, calling, as co-chairs of the OSCE Minsk Group, for an end to hostilities. However, the situation now is more complicated due to the material support given to Azerbaijan by Turkey, and the Western-leaning tendencies at the top of the Armenian government, installed after the 2018 revolution. There are growing concerns in Russia that it is being completely displaced by the West and Turkey from the South Caucasus region. The more recent brokerage by Russian foreign minister Sergey Lavrov of a ceasefire to swap prisoners and war dead may quiet these concerns, at least for a time, should it go on to kickstart substantive peace negotiations.

NEGATIVE OUTLOOK

The longer-term consequences of the coronavirus will significantly impact the global context of Russia-U.S. relations. The most important factor will be the further intensification of U.S.-Chinese rivalry, and the emerging Sino-American bipolarity. America's ongoing refocusing on itself at the expense of its global leadership, together with the rise of nationalism in Europe, will continue to transform transatlantic ties and the nature of the European Union. In this environment, Russia's top priority should

be to carefully maintain equilibrium—though not equidistance—between the United States and China.

Another priority should be to reduce concerns in Europe about the threat from Russia itself, and enhance relations with those EU

countries that are more open to such a prospect. That being said, the poisoning of Russian opposition activist Alexei Navalny in August 2020 brought Moscow's relations with Berlin to the

lowest point since the end of the Cold War. The Russian-German partnership, long a mainstay of post-Cold War stability and cooperation on the European continent, which had been visibly suffering during the past decade, is finally over. Moscow's relations with other EU countries, including France, have also plunged to very low levels. The daylight between the U.S. and the EU as regards policy toward Russia has narrowed to the absolute minimum in recent times.

Besides worrying about the fate of the almost completed Nord Stream 2 gas pipeline across the Baltic Sea, which may fall victim to the collapse of German-Russian relations, Moscow will also have to draw a lesson from

the spectacular fall in oil prices early in 2020 caused by the pandemic-linked global economic recession and Europe's decision to reduce its reliance on hydrocarbons. Potentially, this undermines the economic basis of Russia-EU trade. The share of the European market cur-

rently held by Russian gas may be taken over by LNG imports from the United States.

While the context of Russian-American relations is changing as a result of the second-

and third-level consequences of the coronavirus pandemic, the core relationship between Moscow and Washington is unlikely to be substantially altered by it. No new reset is in the offing, and the outlook remains negative, if generally stable. The U.S.-Russian confrontation will continue. The only solace is that, for now, there is a safety net installed beneath it. High-level military and security contacts; 24/7 communications; agreed protocols for dealing with incidents and other emergencies so that these do not escalate to dangerous levels—all these measures are designed to make sure that confrontation between America and Russia does not lead to collision. That at least remains the hope. ●

Russia's top priority should be to carefully maintain equilibrium—though not equidistance—between the United States and China.

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A MORE CROWDED STAGE

AMERICA AND THE EMERGENCE OF NON-STATE ACTORS IN THE MIDDLE EAST

Ramon Blecua and Douglas A. Ollivant

REGARDLESS of who leads America in the next elections—and next decades, for that matter—the geopolitical environment in which the United States will operate will be significantly if not fundamentally different from that of the last century. In particular, the world stage will be more “crowded” with actors of all sizes and flavors. This is a challenge with which no major state seems to have wrestled effectively, but the United States perhaps least of all.

While the Treaty of Westphalia may not be the seminal moment often attributed to it, the “Westphalian” system it created has nonetheless been the default for some centuries. In this system, states are the primary actor and non-state actors can only hope for a secondary role. While exceptions to this rule have always existed (the British East India Company, the

Rothchild Banking house, and the Jesuits come to mind), it was nonetheless the normal, default framework. However, the nature of the international system appears to be in flux and a rearrangement of power relations is taking place. Sub-state actors are using new pathways to power and while they may not be able to challenge the most powerful nation states in their core interests, they can do so more effectively on the periphery, and against weaker states with even greater impunity.

The first systematic notice of this near reality was probably by two Chinese colonels named Qiao Liang and Wang Xiangsui in their controversial 1999 book *Unrestricted Warfare* who identified—by name—George Soros (for his attacks on Asian currencies in the late 1990s), Osama bin Laden (still pre-9/11), Pablo Escobar, Chizuo Matsumoto (the founder of the Aum Shinrikyo

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Photo: Victoria and Albert Museum, London

Non-state actor at rest: portrait of an East India Company official

movement) and Kevin Mitnick (a prominent 1990s hacker). While none of these individuals would still be noted, or at least not for these activities, the categories they represent—financial power, religious terrorism, organized crime, and data technology—seem quite prescient, if not quite complete.

A short list of today's major non-state actors has different names, but similar categories. Hezbollah, ISIS, and Al Qaeda remain major players as terrorist actors. However, the power of individual hackers has now been eclipsed by major tech firms—Google, Facebook, Amazon, Apple—to name

the most obvious. The cartels and other organized crime groups remain notable at least in their own spheres. Steve Coll has made a powerful case that Exxon should be considered a “private empire” in his book of the same name. Similarly, major financial firms—Goldman-Sachs, KKR, Black Rock, Deutsche Bank, Merrill Lynch—wield power in ways both subtle and not. It is interesting that the *Unrestricted Warfare* authors did not see in the early private security firms—Executive Outcomes and SandLine—the eventual emergence of both BlackWater and their Russian counterparts—the Wagner and Moran Groups. Finally, private NGOs such as Open Society

(bringing Soros back into the picture in a very different capacity), Human Right Watch, and the Gates Foundation are global players that influence the international agenda in significant ways.

NOT ALWAYS IN SYNCH

Non-state actors traditionally have been considered an anomaly or a disturbance to the existing international order. In the Middle East, the term is mostly applied to define terrorist groups or militias that are considered a threat to regional stability, operating at the behest of different patrons in their confrontations through proxy. Nevertheless, we are dealing with a more complex phenomenon that is redefining power struggles in and beyond the region. The influence of powerful non-state actors is becoming more relevant at shaping state policy than the classic power competition among states, while getting intertwined with it in subtle ways.

The Middle East is a special case within this global process, since its dysfunctional financial systems and lack of IT champions makes for a limited array of local players on the field, opening the game for more external influences. In

analyzing the long term trends at play we have to match the different dynamics operating at the international stage and the regional arena and they don't always go in synch. The impact of social media in consolidating the recent protests

movements in the region has been a surprise to the traditional elites of the states affected, sparking accusations of foreign interference and destabilization operations.

The main players remain the warring states in conflict, be it Saudi Arabia using digital platforms to promote its new role, the UAE hiring Israeli tech companies for intelligence

gathering, or Iran using its "electronic army" to wage war in the internet. Nevertheless, the new forms of warfare are changing regional dynamics and bringing the IT platforms to the forefront of regional conflicts as parties. The closing of Iranian accounts in different social media and the American decision to ban Chinese companies access to certain technology is an example of how the strategic impact of AI and social media will affect the neutrality of the internet and the Big Tech companies.

The real game changer is that states are not anymore the only protagonist and

The use of military alternatives, instead of diplomatic initiatives, has become easier and more acceptable politically for governments, but also wealthy individuals or corporations could eventually hire a private army for their own reasons, particularly in weak or failed states.

they have to accommodate the increased power and influence of transnational corporations—of which Big Tech is the ultimate example—private military forces and militias, transnational terrorist organizations, and the staggering wealth of criminal groups and drug cartels. The privatization of surveillance technology and military services is probably the clearest symptom that even global powers such as the United States or Russia, or regional ones such as the UAE or Saudi Arabia, need to rely on these private corporations to conduct warfare and that is changing the nature of international relations. The use of military alternatives, instead of diplomatic initiatives, has become easier and more acceptable politically for governments, but also wealthy individuals or corporations could eventually hire a private army for their own reasons, particularly in weak or failed states.

NEW KIDS ON THE BLOCK

The most novel players in this new world are technology and social media firms. These firms specialize in surveillance—whether voluntary or involuntary. Firms such as Facebook, Google, and LinkedIn use voluntary surveillance—living on the data that users voluntarily allow them to access, or arguably own. However, as demonstrated on numerous occasions, this data can also be used to manipulate users into believing data that is skewed or simply false. When

used for marketing, such manipulation is deeply troubling, but also when used to manipulate political data and elections, it is truly terrifying.

On the other end of the technology spectrum are firms that use only involuntary surveillance—using data without the user's knowledge, whether that data is public or private, and can be accessed legally or illegally. The exemplar of these firms is the UAE's Dark Matter. While it has a very close connection to the Emirati government, it is still at least nominally independent (an arrangement that will often be seen). Dark Matter was used to track and manipulate perceived enemies of the Emirates—whether foreign operatives and terrorists, or domestic dissidents.

But any "big data" system can be used for predictive analytics to surface behavior, given the proper data inputs. Even without hacking, the consolidated picture from correlated publicly traded data can give insights that would often disturb the individuals involved. Stories about marketers knowing women are pregnant long before they tell their families are quite rampant, and the impact of the COVID-19 tracking of personal data is another example of the potential of these surveillance technologies. This scenario will be significantly amplified by the expansion of 5G-related sensor-fed real-time flows and smart cities operating on huge data collection systems.

Next are the mercenary companies. While mercenaries have been defined as the “second oldest profession,” the latest iteration of Western mercenaries can be traced from the “Wild Geese” of the 1960s, to the more professionalized Executive Outcomes and Sandline of the 1990s, and culminating in the Blackwater, Triple Canopy, and Olive Group of the Iraq and Afghanistan war eras. Meanwhile, on the Russian side, firms such as Wagner Group and Moran Group emerged at the intersection of GRU and Spetsnaz veterans and Russian oligarchs, with strong connections to the Russian state from both groups. A third variant has emerged in the Middle East, with the UAE hiring Commonwealth officers for South American soldiers to execute Emirati interests.

To date, these groups have primarily served as auxiliary forces for states, and are therefore largely within the state system. However, the potential for these forces to begin to work outside the system—working for high-net-worth individuals, NGOs, crime syndicates, or other forces—is very present.

However (again to date), the impact of these companies has been relatively marginal, since they are no match for the high-tech armies of the Twenty-first

century. While Wagner Group was certainly involved in the Russian de facto annexation of portions of Ukraine and Georgia, working in areas primarily populated by Russian co-ethnics does not present a high degree of difficulty. When Wagner’s cadres went against a first-tier opponent at the 2018 Battle of Khasham in Syria, their force of hundreds was destroyed in detail by a small contingent of U.S. commandoes controlling U.S. airpower. The recent debacle in Venezuela by Silvercorps, much like the failure of South American mercenaries in Yemen engaged by Academy on behalf of the UAE, demonstrates the real limitations of private outfits providing military services. Nevertheless, this situation could change if these organizations get access to AI and big data, or if they operated in association with tech firms.

The success of technology firms, which has propelled them to center stage because of their global influence in shaping information flows and public opinion, stands in contrast with the limited performance of private military outfits. To date, however, all these efforts have been in the service of nation-states or their leaders. Examples include the Saudis infecting Jeff Bezos’s phone or monitoring the movements of Jamal Khashoggi. The Russians have been caught manipulating Facebook to

The success of technology firms stands in contrast with the limited performance of private military outfits.

manipulate U.S. voters, and using YouTube to disseminate propaganda from Russia Today.

Until now we have seen a mutually beneficial relationship between certain states and these new players in the international arena, but it is not unthinkable that in the near future that relationship will be inverted. Big Tech will actually have more control over personal data than individual states and they will be the ones providing essential surveillance services, public opinion influencing, and social control instruments.

BACK TO THE FUTURE

The Middle East has been in turmoil since 2011 as a result of uprisings that rocked existing political structures in the Arab world. The series of events that followed are much deeper than a change of political elites or replacement of authoritarian rulers, but rather, a systemic crisis that has shaken the foundations of the region order and the legitimacy of state institutions.

The situation in the Middle East offers a particularly stark example of how this crisis can accelerate a

process of authority fragmentation, institutional collapse, mismanagement, rampant corruption, and failed governance. Syria, Lebanon, Iraq, Libya, or Yemen already can be considered test cases of this neo-medieval model of fragmented authorities and overlapping loyalties, in which non-state actors are already the main decisionmakers. A narrative of proxy wars between Iranian-supported revolutionary movements and states aligned with the United States and Western powers may be convenient for media purposes, but

it certainly does not explain what is happening in the region or how to address the many fault-lines at play. We may be soon facing a scenario in which whoever prevails militarily will be relatively irrelevant in the face the chaos provoked by the meltdown of the regional state system and correspondent security architecture.

The context in which non-state actors are operating is defined by the demise of the social contract between the citizens and the state as a result of complex socio-economic changes. The failure of the economic systems in most Arab countries to offer jobs and services to bulging populations with uncontrollable

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demographic growth fuels discontent that is changing political dynamics. The other factor that limits a state's ability to react to those challenges is the sclerosis of political systems based on authoritarian models. The diminishing legitimacy of those regimes is being challenged whilst state institutions are eroding.

The economic model of Arab socialism may be bankrupt but it remains in place as a parasitic structure being used by predatory elites to divert resources from the state into their own hands. Non-state actors are claiming

the space left vacant in the political, security, and social arenas, creating parallel structures and organizations that can claim more effectiveness than the state. The growing power of tribal, sectarian, and ideologically inspired groups is changing the inner workings of the existing political systems, even if those groups still don't openly advocate for their removal. The increasing influence of tribal warlords and ideologically-motivated militias from Libya to Yemen will shape regional dynamics for a long time to come. The reason why these groups do not replace the dysfunctional institutions by other political structures is, obviously, the enormous economic benefits that they can extract from them.

The increasing influence of tribal warlords and ideologically-motivated militias from Libya to Yemen will shape regional dynamics for a long time to come.

In 1994, Robert Kaplan published in *The Atlantic* his famous essay "The Coming Anarchy" in which he used the example of West Africa to describe the future scenario that would confront our deceptive sense of security. Disease, overpopulation, unprovoked crime, scarcity of resources, refugee migrations, the increasing

erosion of nation-states and international borders, together with the empowerment of private armies, security firms, and international drug cartels would in a few decades confront our civilization. Twenty years later, in a galaxy not that far away, a splinter group of the famous Al Qaeda transnational terrorist franchise took control over a third of the territory of one of the most powerful countries of the Middle East in a matter of weeks. The Islamic State—or Daesh as is widely known in the region—seemed to respond to Kaplan's prophecies with apocalyptic precision, reaching the gates of Baghdad while the Iraqi army floundered without a fight and the state was on the brink of collapse.

The demise of national states predicted by Kaplan may not have taken place yet, but the dynamics of war have changed and private armies, tribal militias, non-state armed forces,

and transnational terrorist groups tend to decide the outcome of conflicts in the region much more than national armies.

The survival of the Syrian regime, the resilience of the Houthi movement in Yemen, and the comeback of the Iraqi state from the brink of collapse holds many important lessons to understand the rules of the new game that will serve as a basis of the future security architecture of the Middle East. Lebanese Hezbollah surprised the world by inflicting the first tactical defeat to the Israeli army in 2007 and Ansar Allah rebels prevailed in the ongoing war against the Saudi-led coalition since 2015.

The strategic parameters in regional security need to be adapted accordingly, but such paradigmatic transformations are not easy to digest. Daesh represents the most evolved version of a non-state actor capable of replacing the whole state system with an alternative hybrid organization, using IT instruments massively and strategically as never before seen in the Middle East. The initial reaction that turned the tide and saved the Iraqi state came also from non-state actors: the highest religious authority

in Najaf and the Popular Mobilization Forces, demonstrating a surge of equally potent energy and resolve.

One would not exaggerate to say that Hezbollah and Al Qaeda are among the most prominent exam-

The initial reaction that turned the tide and saved the Iraqi state came also from non-state actors: the highest religious authority in Najaf and the Popular Mobilization Forces, demonstrating a surge of equally potent energy and resolve.

ples of non-state actors in the region. Despite their common loathing of Western imperialism and Israel, Hezbollah and Al Qaeda (or its offshoot Daesh) have a deep hatred for each other and are pitched in an existential battle that is rooted in secular sectarian differences. From Syria to Iraq or Yemen, the main mobilizing factors of the

Shia communities—more than external intervention—has been the threat from what they denominate the takfiri jihadi groups, inspired in a hostile extremist interpretation of Sunni Islam.

In all of those scenarios, Hezbollah has become the model organization and training provider for local militias, with the strategic and financial support of Iran. Lebanon was the first country in the region where Iran established a foothold, as champion of the neglected Shia population, shortly after the Israeli invasion in 1982. The establishment of Hezbollah, as a political and military

organization, inspired, organized, and funded by Iran's Revolutionary Guard, has been one of Tehran's most far-reaching initiatives. The unique characteristics of Hezbollah as an armed group have evolved from the extreme violence of the early beginnings (using suicide attacks, assassinations, and hostage takings), into an extremely sophisticated and effective military force.

The expansion of Da'esh from the countries of West Africa to Southeast Asia should not be taken lightly, since a new Da'esh 2.0 could be more deadly than its predecessor.

The military victory over the Da'esh Caliphate is certainly significant, but it remains a force to be reckoned with, both in Iraq and Syria. We should not forget that it took an unprecedented international coalition with over 50 countries and the full weight of the American military to defeat a force of 30,000 fighters with a cottage military industry of their own.

The current escalation of tensions between Iran and the United States is offering it the breathing space to reorganize and plan a comeback in the areas it once ruled, while Washington's attention has shifted to the next conflict. The complex

interaction between Al Qaeda and Da'esh remains to be defined and could be subjected to new and more deadly mutations.

The United States has taken notice of the geopolitical relevance of many of these non-state actors beyond

their national environment for decades and kept defining different strategies to deal with them. The latest version is implementing a strategy of cordoning them off and strangling them economically or targeting their leaders and military forces as part of Trump's "maximum pressure" campaign against Iran. This

strategy is directly linked to rolling back Iran's regional influence and views the aforementioned groups as Iranian proxies that act as part of their regional grand design.

There are certainly arguments to support such a perception, but it is also a dangerous simplification that could also lead to counterproductive decisions. Aside from creating massive collateral damage, by lumping together many different actors with diverging interests and objectives, this strategy will multiply regional instability and increase the reliance of many of these actors on Iranian support.

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A careful assessment of the local context and the interests of the different players could yield considerably better results as well as contribute to regional security and allow for more effective state building. Looking at Yemen, Syria, and Iraq can provide useful case studies to illustrate how the new regional and global dynamics intersect and how conflict resolution and crisis management will have to evolve.

THE YEMEN WARS

Yemen has been often overlooked as a sideshow in the power struggles of the region, even when the fate of

powerful players has been undone in its dramatic mountain landscape, as the Egyptian army still bitterly remembers. After six years of an inconclusive war in Yemen between a Saudi-led coalition, supported by the U.S., UK, and France, and a tribal militia still named after the clan that leads the group, pundits are struggling to understand how that will affect regional security. The wars within wars in the country, which are the result of the collapse of the Yemeni state, will act as a magnet of regional tensions for years to come and will haunt neighboring countries with unknown dangers.

Southern Yemen is fraught with internal conflicts in which Houthi allies,

pro-independence STC, Islah supporters of President Hadi, AQAP, and Da'esh will fight with the encouragement of foreign powers. On the other hand, a possible arrangement based on tribal conflict resolution mechanisms would offer a model of how to address a complex

conflict with geopolitical implications through locally rooted solutions. Recent announcements of a cease fire by Saudi Arabia may indicate there is a chance of some sort of deal, but the conditions outlined by Ansar Allah as the basis for an agreement seem difficult for Riyadh to accept, at least for the moment.

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The strongest player emerging from this mayhem is Ansar Allah, a movement with deep roots in Yemeni history, although the Iranian revolution had an important effect on its mobilization and military organization. Articulated around the al-Houthi, an extended clan that is at the center of a network of alliances between influential tribal sheikhs and prominent Hashemite families, the organization has evolved from an organic alliance of multifarious elements in a tribal environment into an effective military and political structure bonded together by loyalty to their leader and by social, religious and tribal relationships.

President Ali Abdullah Saleh himself was victim of the group he helped raise to power after his ousting, when both the Saudis and his former associates sacrificed him to popular anger. He had launched a series of bloody campaigns against the Houthi and their tribal allies, with the support of the United States and Saudi Arabia, accusing the group of being a threat to both the state's republican nature and regional security. Iranian support at this stage seems to have been limited and mainly consisted of training through Hezbollah and some small-arms deliveries—something that has significantly changed in the course of the ongoing war. Now, advance electronic warfare, drones, and missiles supplied by Iran are being used to counter Saudi and Emirati superiority in military hardware.

When the forces led by Saudi Arabia and the United Arab Emirates launched their Decisive Storm campaign in March 2015, it was widely believed that modern weaponry and unlimited resources would prevail over a tribal militia. Instead, Ansar Allah's forces are now operating 140 km inside Saudi territory, launching regular missile attacks against Riyadh and military bases of the coalition,

and taking the offensive in al Jawf and Maareb against the internationally recognized government's forces. Despite the essential Iranian support for missile technology and use of drones, Houthi strategy and military operations are not under Teheran's control. That being said, the Houthi did assume

responsibility for the combined missile and drone attack on Saudi oil facilities last June, an operation that was widely assumed to be beyond their capacity.

The current negotiations brokered by the

United Nations between the internationally recognized government and Ansar Allah have been dragging on since the war started in 2015 with very limited results. Despite the fiction of this being a negotiation between the legitimate government and the rebels, it is well known that the resolution of the main conflict will depend on the negotiations between Saudi Arabia and Ansar Allah. This is a good example of how a supposed non-state actor has foreign policy and geopolitical decisionmaking, territorial authority, and undisputed control over the military forces in it. The outcome of these interlinked conflicts is still unclear, but the forgone conclusion is that the Yemeni state, or what may remain of it, will never be the same.

The confluence of internal conflicts and regional fault-lines makes the Syrian conflict an inspiration for the dystopian Game of Thrones blockbuster series.

SYRIA AND THE BATTLE OF THE SEVEN KINGDOMS

The confluence of internal conflicts and regional fault-lines makes the Syrian conflict an inspiration for the dystopian Game of Thrones blockbuster series. If we want to find an example of war by proxy, the Syrian case offers us the richest research material. The United States, Iran, Turkey, Israel, Saudi Arabia, the UAE, France, Russia, Iraq, and Egypt have all played a part in one of the bloodiest wars in recent history.

Most of the Syrian actors have one or more foreign patrons that exercise varying degrees of influence. Militias, transnational terrorist organizations, and private armies have graduated as influential actors in the Syrian battlefronts. Wagner and Moran as contractors for the Russian military, PKK-affiliated YPG Kurdish militias, Iraqi PMF, Al Qaeda avatars Jabat al Nusra or ISIL, and the different Turkish affiliated groups are now operating beyond the regional stage.

After nine years of one of the bloodiest conflicts in the region, the Syrian government has prevailed militarily, in an uneasy alliance with the SDF forces, while what remained of the opposition groups was taken over by Turkey and kept in a relatively protected reservation in Idlib. The situation in the northeast remains very fluid since the threatened withdrawal of American forces and the autonomous administration

run by the YPG is still in place under the theoretical authority of Damascus. The Russian-Turkish agreement has offered temporary reprieve from a full scale war, but a PKK-controlled enclave next to the Turkish border is a flashpoint that could erupt any time.

In the meantime, a negotiating table of the main foreign players has not just legitimized foreign meddling in a communal war but elevated the interests of the foreign parties over those of local actors, of which they become "representatives" at the negotiation table. All recent initiatives involving primarily local actors failed since they fatally ignored the interests of powerful external backers. External actors do not see any immediate risk for themselves in perpetuating the proxy war and much of the "conflict management" was about taking care of those interests that did not conflict with those of the other Astana Group's members.

The current fallout between Moscow and Ankara over Idlib, like the simmering war between the SDF and Turkey in Syria's northeast, is nothing other than the inevitable violent resolution of the ambiguities that previous negotiations had left unresolved. Inevitably, their resolution is going to be reached militarily, with the only difference being that this time, at least one of the three Astana Group's members—most likely Turkey—will have to accept a zero-sum

solution to its disadvantage. The Syrian government may have claimed victory, as the last man standing, but such a pyrrhic victory is not the end of the war, which now seems to be moving to the economic warfare stage that the United States has already declared, supported by the EU's stringent sanctions on Damascus.

The winning partners of the Assad regime—namely Russia and Iran—have no financial resources to support infrastructure reconstruction or economic reactivation. The territorial control of the regime is tenuous and different

local militias remain the real authority in large parts of the country, just as the YPG remains in control of the Kurdish areas. Iran and Russia finance their proxies directly without going through the Syrian Government, and thus exert real control over military operations. This means that Assad finds himself in the uncomfortable position of being a vassal sovereign in a land ruled by armed bands of uncertain allegiances.

WARLORDS AND THE IRAQI STATE

It is in Iraq where the strategic balance of the region will be decided. This is but one reason why the term

“proxy competition” between Iran and the United States and its allies is being used more frequently these days. Recent bouts of escalation also illustrate how the narrative of proxy warfare can

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misdiagnose the nature of the threat and help escalate a geopolitical standoff based on what are in reality local actors' strategic positionings and machinations. What gets lost in this narrative of proxy warfare in the Iraqi context is the extent to which foreign interests actually prevail over the parochial interests of the actors on the ground. It is undeniable that many groups have close ties to out-

side powers since the fall of the Ba'ath regime or even prior. However, under closer scrutiny, it is unclear whether these partner or support relationships can accurately be described as “proxies.”

In December 2017 Prime Minister Hayder al Abadi declared victory over Da'esh, after all of Iraq's territory had been liberated from the scourge of a murderous terrorist organization. The wave of optimism that made Iraq one of the rare success stories in the region did not last for long. The elections that followed delivered inconclusive results that made it particularly difficult to

form a stable government and made those parties that command a military organization the arbiters of the situation. Warlords of different shades became the kingpins of the new Iraq, leading to the decline of the Dawa party as the main powerbroker. Not only Sairoon and the Fatah coalition but also the main Kurdish parties, KDP and PUK, have military forces that respond to their respective leaderships.

Fractured authorities and overlapping loyalties have plagued the reconstruction of the

Iraqi state since 2003, when the monopoly of force was divided between a weak central government, the United States military, a variety of private American contractors, and multiple militias and armed groups (including the notorious AQIM under Abu Musab al-Zarqawi). It is also misleading to single out the PMU as the main actor undermining state authority, since tribal and religious groups also have an increasingly influential role. The Hawza of Najaf are a center of power accumulating tremendous political and economic power and unparallel social influence even beyond Iraq's borders.

Iraq lacks a powerful private sector, with economic resources being dependent on political influence and

connections. The pledges for economic reform have been repeatedly blocked by the interests of the political elite in keeping the system established in 2003 unchanged, and even the protests that rocked the state and brought the government down are being slowly dragged to a halt.

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Iran and other external players took the opportunity to promote their own allies and support their military forces in a struggle for power defined by shifting alliances and conflicting loyalties. We can take as

an example the conflict between Maliki and Sadr: on the one hand, it has remained unchanged since 2007 until now; on the other hand, the conflict's external sponsors (mainly the United States and Iran) kept changing sides. The fact that Iraq is a rich country with large oil income makes the traditional proxy-patron relationship not applicable, since control of the state institutions yields much more than any external contribution. This explains why the relationship between Iraqi actors and their foreign sponsors is much more dialectic than in other cases and reflects the changing circumstances of local, regional, and international politics.

The PMU is a state-sanctioned body that presents itself as an upholder of

the state and Iraqi sovereignty and its relationship with other state institutions and political actors is one of bargaining, collusion, and competition. The Fatah coalition, formed by Iran-leaning elements of the PMU, was among the

primary sponsors of the outgoing government of Adil Abdul-Mahdi in October 2018. The PMU's normalization and institutionalization have accentuated its role as defender of the status quo. At the same time, a power struggle has been taking place among the different factions and the main architect of the

organization, Abu Mahdi el Mohandes, concerning its structure and role. With his assassination in early January 2020 by the United States, the field was left open for the warlords to consolidate their power. Iraq is in a state of political flux, with political control and power very much up for grabs. With rising political power and influence, the domestic and national interests of the Iraqi actors have sharpened, closely linked to their stakes in the economic benefits that their political clout have brought.

The recent wave of popular protests that started in October 2019 may be a symptom that the “mohasasa taifa” has reached the end of its rope. Disaffection of Iraqi society at large with a

system associated with corruption and inefficiency will make a shift inevitable once the main political actors start fighting over the spoils. Some of the leaders of the PMF allied to Iran were quick to point at a destabilization campaign

through massive manipulation of social media from hostile foreign powers (i.e. the United States and its regional allies).

It is quite interesting that many of the state institutions remained on the sidelines of the fight between protesters and different armed groups, both outside

and inside the state security apparatus. After months of a stand-off between the different players, a new government headed by Mustafa al Khademi has been approved by Parliament. His mandate is limited and his political support shaky, but the new prime minister has taken some bold and clear decisions to regain the initiative and send a message of change to the Iraqi society in the face of rather daunting challenges. The catastrophic economic situation, considerably aggravated by the recent crash in oil prices, appears to have triggered a fight among the different warlords for a larger share of a smaller pie or further social unrest. Iraq may still walk away from the brink and surprise the forecasts of its demise once more.

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THE INTEGRATION CHALLENGE

The traditional approach to policymaking and regional security does not work in the way it used to in the dynamic and unstable situation of the Middle East today. Inter-governmental organizations—be they the Arab League, the GCC, or the Middle East Strategic Alliance—have become completely sidelined in the management of regional crisis. On the other hand, non-state actors cannot be simply dismissed as temporary anomalies or dangerous spoilers that

impede effective governance. Many of these groups just occupy the void left by dysfunctional state institutions and predatory political elites. Their capacity to mobilize support among local constituencies gives them some sort of legitimacy and their control over the use of force in a certain territory provides a quasi-state character to them.

That being said, there are important differences between organizations that receive their authority from centuries-old tribal traditions or religious authority and terrorist groups or criminal organizations. Yet, the boundaries are often blurred in the conflicting political landscape and shifting alliances of the Middle East, which makes it difficult to design a “one size fits all” methodological approach.

Some of these actors do have as their main objective the destruction of the existing political system—whether for ideological or other reasons. They seek to impose an arbitrary and violent rule by force of arms in the revolutionary manner that has ani-

ated twentieth century politics. Nevertheless, many of the groups that have been raised to positions of influence as a result of internal conflicts or political crises, aspire to be coopted into the state; and doing so may have as a benefit bringing in renewed

energy and social support. What is clear is that we need a new approach to non-state actors and conflict resolution in the region, accepting that the new realities emerging from the past decade of turmoil require also different analytical tools.

What we are witnessing is a transformation of the traditional state into what is now defined as a “hybrid state” in which there is no monopoly of force and security structures. Decisionmaking is channeled through state institutions but made elsewhere by actors outside the formal legal system. State institutions remain in place but the operating system has been modified to accommodate the interests of those influential players that prefer to remain

The traditional approach to policymaking and regional security does not work in the way it used to in the dynamic and unstable situation of the Middle East today.

in the shadows. When trying to understand hybrid actors operating in hybrid states like the PMU in Iraq, it is unhelpful to think in terms of rigid binaries between state and non-state, formal and informal, and legal and illicit.

Armed militias, terrorist groups, and criminal organizations thrive in the grey areas of the war economy—a result of the combination of sanctions, armed conflict, and state controlled economies that have plagued the Middle East for years. Economic sanctions have always existed, either in the primitive form of military blockades or in a more sophisticated way using financial controls and economic instruments. Nevertheless, they had not been used in such a widespread manner until about 30 years ago—theoretically to avoid the use of military force to achieve behavioral change of states, groups, or individuals. The truth is that sanctions have had the most paradoxical result of reinforcing the power of those that can operate outside the legal economic system—and often there happen to be the same groups or individuals they are supposed to punish.

The best example of the use of incentives of illegal economic activities to finance a political project is that of ISIL,

with a ruthlessly effective organization that plundered and traded all the resources at its disposal: using existing sanction-evading networks to create new profitable partnerships. Another tragic example of the effects of a war economy

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is Yemen, where a whole network of economic interests and partnerships across conflict lines have been created—to the benefit of politically connected actors that continue to fuel the conflict to their own benefit. In Syria, conflict has paved the way for new groups and elites to control territory and generate revenues. In Yemen and Libya, armed groups have been able to capture state resources and infrastructure, developing lucrative revenue streams. In Iraq, the grey area between groups that are nominally affiliated with the state and a well-established shadow economy continues to shape political developments.

In short, a thorough mapping of the extent of the connections between politics and shadowy economic systems is critical for effective conflict resolution.

More than 80 percent of conflicts over the past 30 years have involved pro-government militias while the more recent rise of

transnational violent extremist groups has prompted an even greater reliance on these groups. These forces have played crucial roles in helping governments win back territory, weaken rebel forces, and consolidate battlefield strength. At the same time, they have also exploited conflict situations for their own economic and political gain. Moreover, they may become spoilers to any peace process that would curtail those benefits, especially where they are excluded in political talks and integration deals. In this environment, mediation and track 2 diplomatic initiatives will become increasingly relevant tools for conflict resolution.

It is clear that we need a fresh approach to how these organizations become actual stakeholders in the increasingly common hybrid states, becoming the most relevant decisionmakers not just in security matters but in economic operations and, indeed, foreign policy as well. In fact, non-state actors are the

ones that frequently make the decisions that are then simply implemented by state institutions.

In the polyarchic world we are living in, the whole picture is only com-

More than 80 percent of conflicts over the past 30 years have involved pro-government militias while the more recent rise of transnational violent extremist groups has prompted an even greater reliance on these groups.

plete when we integrate non-state actors into the game. Admittedly, it is a difficult task to determine when, how, and who is to be considered an acceptable non-state actor, versus one that is a disruptive force that can only have a malign influence on the system. Nevertheless, crisis management and conflict resolution cannot

be addressed effectively without finding new models that include those actors.

Adaptations must come regardless of what direction the United States takes in the coming years. While sub-state actors are nothing new, their recent emergence comes after a long period of state supremacy. Navigating a world in which these forces play a more prominent role may be the true crossroads of world engagement. ●

AMERICA & THE BALKANS, 2021

Cameron Munter

As the U.S. presidential election looms, many Americans feel the choice is the most significant in their lifetimes. The polarized electorate is dominated by voices that claim that a victory by their opponent will mark the end of American power and traditions. Of course, nearly all of these opinions are based on domestic policy issues like the response to the COVID-19 pandemic, economic growth to environmental policy, and race and social justice—and even specific issues like abortion and gun control.

But what can we guess, at this point, about how America will address foreign policy issues in the time ahead? If there is a foreign policy issue of central concern, it's how to deal with China and the challenge it poses—not only in the Western Pacific but as a global power.

There is, ironically, little difference between the Trump and Biden campaigns on the basic contours of the issue: both see China as a threat, and the question is only how to best address such a challenge. And the ways in which the two candidates pose this question give a hint about approaches to other foreign policy issues around the world. Trump (when he's not praising President Xi Jinping as a good friend) wants to place the blame for the coronavirus squarely on China and to continue a policy of confrontation via bilateral trade and investment policies. Biden, a seasoned veteran of decades of bilateral American relations with China, would seek rather to rally America's friends and allies to provide a united front to either coax or force China to behave in one way or another, whether it's in the South China Sea or on transnational issues like public health and climate change.

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Photo: FoNET

America & the Balkans, 2020

So to begin with, look for very distinct foreign policy styles: Trump is bilateral, focused on economics, seeking U.S. advantage in what he sees as a zero-sum game; Biden is multilateral, focused on the integration of strategic aims and institutions, placing a greater premium on shared goals and values.

And for those who follow issues in the Balkans, what to anticipate from either a continuation of the Trump Administration, or the entry into power of a Biden Administration? Just as we see throughout the international arena, the most obvious distinction will be this difference of style.

TRUMP AND THE BALKANS

Let's begin with the Trump Administration. The mantra of "America First" is well known. For those who sympathize with Trump—whether at home or abroad—this translates into a firm belief that countries (not just the United States, but every sovereign state) should follow and advance their respective core interests. This has resulted, in the years of the current administration, in a focus above all on economic interests, as might be expected of a business-oriented leader.

Richard Grenell, currently a Trump campaign advisor who is also his Balkan envoy, outlined this approach

in a recent article in which he recommended a radical overhaul for the U.S. State Department, noting that diplomatic training and knowledge of foreign languages was less important than business training and making deals—in other words, that traditional diplomacy did not serve the needs of countries seeking to maximize their advantage over others.

Note that Trump's unsuccessful efforts in North Korea and Iran were accompanied by offers to make business deals with both countries (offers that

neither country chose to accept). His more successful foray in the Middle East, resulting in the recognition of Israel by Bahrain and the UAE, builds on economic relationships that have been developing in the region for decades. In this sense, Trump's foreign policy is essentially an extension of his domestic policy.

Now look at the recent set of agreements signed at the White House by the leaders of Serbia and Kosovo. These documents are heavy on economic issues, some repeated from previous agreements but others innovative, such as the establishment of an office of the Development Finance

Corporation (DFC) in the region. They also included apparently unrelated issues: Trump's campaign to please domestic constituencies by injecting language about Israel recognizing Kosovo and Serbia moving its embassy in

Israel to Jerusalem were about America First, clearly.

Other, more heavily political (and thus intractable) issues in the Western Balkans apparently interest the Trump Administration less. Is there a potential challenge to Montenegro's commitment to NATO following the most

recent parliamentary election? If there is high level interest in this question, it's hard to find, given Trump's oft-stated doubts about the importance of NATO to begin with.

What about the crisis of governance in Bosnia and Herzegovina, as the Dayton Accords (always designed as a means to end a war rather than to perpetuate a peace) show their age and a feeling of despondency sets in as entrenched interests throughout the country seem determined to keep power first and meet the needs of their constituents later? Again, this is not something that the White House has shown much evidence of monitoring.

Trump is bilateral, focused on economics, seeking U.S. advantage in what he sees as a zero-sum game; Biden is multilateral, focused on the integration of strategic aims and institutions, placing a greater premium on shared goals and values.

Even the prospects for a new era between North Macedonia and Greece don't seem to excite the Trump Administration's leadership.

It would thus appear that those problems in the Western Balkans that are hard to reduce to a business

deal are simply not on Trump's agenda. If you want to put this in a positive light, you can call it prioritization: the Trump Administration wanted a win and it wanted it now, so the most likely candidate

was the Kosovo-Serbia relationship. If you want to put this in a negative light, such an approach smacks of shortsightedness and a disinclination to take part in the difficult, patient work of traditional diplomacy.

This is an important distinction for those who want to analyze the Trump Administration's record. For the president and his team, foreign policy does not have a long timeline. The point is to get results now, much as the point for many businesses is to get results in the current quarter in order to show shareholders and the market the successes of a firm.

Traditional diplomacy is in many ways a process that works from the bottom up, as experts prepare laboriously and at length before a summit in

which leaders from different countries come together to finalize an agreement. Such diplomacy assumes that details matter, that the long-term results of an agreement must be anticipated in advance lest that agreement have unforeseen consequences that future generations must contend with.

It would thus appear that those problems in the Western Balkans that are hard to reduce to a business deal are simply not on Trump's agenda.

Such is not the case for the style of diplomacy of this Trump Administration, which is very much top-down. Those agreements signed by this administration have been the

aspirations of leaders rather than the painstaking work of a bureaucracy: notably short on details but big on image. Indeed, the image (say, of a signing in the Oval Office or a handshake between erstwhile opponents) is in many ways the end result rather than the beginning of a long and careful process of implementation, as one would see from agreements in the past, whether bilateral arms control pacts or dense texts signed in a multilateral setting.

BIDEN'S APPROACH

So if this is the style of the Trump Administration—primarily for his domestic audience, heavily oriented toward business, overwhelmingly bilateral—what will be the style of a Biden Administration, in the event of a victory at the polls by the former Vice President?

The Biden team will almost certainly focus on interconnectedness rather than bilateral policy. It will see the Western Balkans not as a discrete opportunity for an achievement that it can sell to American supporters,

The Biden team will almost certainly focus on interconnectedness rather than bilateral policy. It will see the Western Balkans not as a discrete opportunity for an achievement that it can sell to American supporters, but rather as part of a series of challenges inherited from the Trump Administration.

This approach will not be unique to the Western Balkans. A Biden Administration is likely to work very hard to repair relations with Japan and Korea before tackling North Korea; a Biden Administration is also likely to test the capacity for cooperation among the so-called

P5+1 (UN Security Council permanent members plus Germany) before crafting a new policy on Iran. There will almost certainly be efforts, if there is a Biden Administration, to rally like-minded countries and invigorate the traditional institutions of the post-1945 rule-based order rather than continuing the current head-to-head fight with China.

And so it will be in the Western Balkans. First and foremost, expect a Biden Administration to focus on repairing relations with Europe (both with Europeans, that is, with the leaders

of Germany, France, and the UK first and foremost, and with institutions, especially NATO and the EU). The issues that a Biden Administration will identify as priorities in its relations with Europe—climate change, nuclear proliferation, demographic challenges including migration, relations with Russia, the Middle East, and other neighbors—will doubtlessly lead to efforts to work multilaterally: to build alliances in order to leverage Western strength to address these crises. Only then will the leadership of a Biden Administration see how that Transatlantic relationship can address the issues of the Western Balkans.

What form will this take? I expect that a Biden team would look at a number of issues and work through, in great detail, how those issues could be bundled together to produce what the Germans would call a *Gesamtkonzept*, an overarching formula notable not for its simplicity but for its comprehensiveness. That means slow, steady work for American and European diplomats, sorting through issues from tariffs and Russia to energy and common defense. And of course, one of those many issues would necessarily include the Western Balkans.

Traditional diplomacy is often tedious, not always transparent, and certainly focused more on getting things right for a consensus of interests than getting things done quickly in the interest of any given participant. I imagine that for Western Balkan leaders and indeed, for the people of the region—impatient as they are for solutions to their many challenges—such a method could be frustrating even if it evaluates the long-term impact of whatever is decided.

I thus believe that American success or failure in the Balkans will be a reflection of the success or failure of a Biden

Administration's rebuilding of ties with Europe. Now, many have already cautioned Biden's team that they must avoid trying to restore the status quo ante of pre-2016 relations. The world of 2021 is not the world of 2016, and this effort will require a rebalancing of approaches. For the Western Balkans, that will mean that the Biden team must assess new realities.

There was a tendency before 2016 to assume U.S.-European primacy in the region; now any approach must consider the impact of Chinese investment (and how it's perceived), Russian attitudes, and even Turkish designs. While the so-called Quint coordinating mechanism (cooperation between

America, Germany, France, the UK, and Italy) can still play a constructive role, this grouping is no longer sufficient to dominate coordination among interested Western parties in the Balkans. Public opinion polls in the region show that the gravitational pull of EU membership on Western Balkan

While the so-called Quint coordinating mechanism can still play a constructive role, this grouping is no longer sufficient to dominate coordination among interested Western parties in the Balkans.

states is not what it was. So what this means is that a Biden Administration, while building relations with Europe, must also reconsider what the United States and Europe, working together again, might achieve in the Western Balkans.

Indeed, much of this debate will continue to take place in Europe even without American participation, as Europeans debate their role in the world, especially in defense. Recent articles and public opinion polling indicate that it will not be easy for Americans to reengage with European counterparts because those counterparts will want to be careful about what kind of America they're dealing with and whether perceptions are shared on both sides of the Atlantic.

Furthermore, the Europeans have not had an easy time of it in the last decade. There was a time not so long ago when EU foreign policy looked east or south

with the assumption that it would be the party of action in, say, Ukraine or Libya. It would be a matter of Europe working its will on its neighbors. But now, Europe is no longer just the subject. Rather, the EU is also the object of

Russian activities or the desires of refugees crossing the Mediterranean. So for America and Europe to work as partners in the Western Balkans, as I believe a Biden Administration would like, both will have to work out a new set of priorities and roles in this new decade. This is not just an exercise in making lists of preferences and

seeing where we all agree. No, there will be a significant psychological dimension to this, which will take wisdom and care to manage.

Let's also not forget that a Biden Administration would have baggage in the Western Balkans. Dayton and the Kosovo war took place under a Democratic administration, even if they were embraced by the Republican administration that followed. And Trump has caused a set of radical breaks with Republican foreign policy traditions and values. Biden has not, and would not, do the same for the Democrats. Indeed, under a Biden presidency we might even see a return

of some of the same people who were in power in previous Democratic administrations (quite a contrast from the emergence of a fairly new set of foreign policy leaders under Trump).

Just as I hope that a second-term Trump Administration might avail itself of more multilateral help, I hope that a Biden Administration would build on what might remain useful rather than reinventing an entirely new approach.

In this sense, as I hinted above, a Biden Administration would also be wise to assess with an open mind those initiatives which the Trump Administration has begun. I mentioned the DFC, for example: it's a welcome, concrete instance of U.S. commitment to the region's economic growth. And there's no doubt a Biden

Administration would continue the Trump Administration's skeptical view of Chinese influence in the region, as it will tackle the challenge of the Belt and Road Initiative globally. Just as I hope that a second-term Trump Administration might avail itself of more multilateral help, I hope that a Biden Administration would build on what might remain useful rather than reinventing an entirely new approach.

HOPES AND SUGGESTIONS

Whoever wins the American presidency in November, my own hope is that the United States figures out how to contribute in a constructive and positive way to the crisis

of governance in the Western Balkans. Bosnia is, in my mind, only the most extreme example of bad governance. The wave of emigration from all the countries of the Western Balkans—affecting above all the most talented and enterprising of the young—is testament to the lack of faith in the honesty and sense of fair play among those who are in charge.

This will require generosity and empathy on the part of the United States and its representatives: if efforts over the past three decades—focused as they were on human rights and economic and social development—have not brought about a just and prosperous society and peace among nations, then perhaps we Americans need to reflect what might.

In other words, my own hope is that the winner of the American election, no matter what style that winner

chooses, will recommit itself to the goal of peace, prosperity, and good neighborly relations in the Western Balkans and use as many tools at hand as it can to contribute to that goal.

My respectful suggestion to a second Trump Administration would be to work with European friends whenever possible; I fear that so far, the Trump Administration's deal-making style has shown itself to be less than strategic, and the long term matters—and memories are long in the Balkans. And as for a Biden Administration, my respectful suggestion is not to be caught in patterns of the past but to reassess what's possible and give the U.S.-European approach to the Western Balkans a fresh start. And my respectful suggestion for the people of the Western Balkans themselves is that it's probably wise not to expect quick solutions to the very significant challenges facing the region. ●

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HORIZONS

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THE FALL OF THE ALMIGHTY DOLLAR

Stephen Roach

THE ERA of the American dollar's "exorbitant privilege" as the world's primary reserve currency is coming to an end. In the 1960s, then French finance minister Valéry Giscard d'Estaing coined that phrase largely out of frustration, bemoaning an America that drew freely on the rest of the world to support its over-extended standard of living. For almost 60 years, the world complained but did nothing about it. Those days are over.

Already stressed by the impact of the COVID-19 pandemic, American living standards are about to be squeezed as never before. At the same time, an ever-shifting world is having serious second thoughts about the once widely accepted presumption of American exceptionalism. Currencies set the equilibrium between these two forces—domestic economic fundamentals and foreign perceptions of a nation's strength or weakness. The

balance is now shifting. I look for a 35 percent plunge in the broad dollar index by the end of 2021.

AMERICA'S IMBALANCES

Three key forces are likely to be at work in prompting this seemingly shocking outcome—the first being an unprecedented deterioration in America's net domestic saving position, which is tightly connected to international capital flows and a nation's balance of payments with the rest of the world. The confluence of these factors leaves the value of the U.S. dollar with nowhere to go but down.

The seeds of this problem were sown by a profound shortfall in domestic U.S. saving that was glaringly apparent before the pandemic hit. In the first quarter of 2020, net national saving, which includes depreciation-adjusted saving of households, businesses, and the government sector, stood at just 2.9 percent of national income. No need to worry,

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Photo: Guliver Image/Getty Images

The Marriner S. Eccles Federal Reserve Board Building in Washington, DC, home of the Board of Governors of the U.S. Federal Reserve System

goes the conventional excuse—America never saves. Think again. The net national saving rate actually averaged 7 percent average over the 45-year period from 1960 to 2005. And during the 1960s, long recognized as the strongest period of productivity-led U.S. economic growth in the post-World War II era, the net domestic saving rate averaged 11.5 percent.

Expressing these calculations in net terms is no trivial adjustment. Although gross domestic saving in the first quarter of 2020—at 18.9 percent of national income—was also below its 45-year norm of 21 percent from

1960 to 2005, the shortfall was not nearly as severe as that captured by the net measure. That reflects a very worrisome development: the difference between the gross and net measures of domestic saving are attributable to the rising depreciation of a worn-out capital stock. After decades of neglect, America is now saddled with a rapidly aging and increasingly obsolete stock of productive capital. That means that the bulk of its gross saving goes to replacing old capital rather than to building new capacity—the seed corn of economic growth. That seriously compounds the problem of a seemingly chronic deficiency in net saving.

Lacking in domestic net saving, and wanting to invest and grow, the United States has taken great advantage of the dollar's role as the world's primary reserve currency and drawn heavily on surplus savings from abroad to square the circle. But not without a price. In order to attract foreign capital, the United States has run a deficit in its current account—which is the broadest measure of trade because it includes investment—every year since 1982.

COVID-19 and the economic crisis it has triggered is likely to stretch this tension between saving and the current-account to the breaking point. The culprit: exploding government budget deficits. According to the latest estimates of the bi-partisan Congressional Budget Office published in September 2020, the federal budget deficit is likely to soar to a peacetime record of 16 percent of gross domestic product in 2020, before hopefully receding to 8.6 percent in 2021.

A significant portion of the fiscal support has initially been saved by fear-driven, unemployed American workers. That tends to ameliorate some of the immediate pressures on overall national saving. However, the initial pandemic-related surge in personal saving reflected the impact of temporary income support measures—\$1,200 checks to most Americans plus a sharp

expansion of unemployment insurance benefits that has now expired. In the absence of such temporary support, the personal saving rate has already begun to decline—from 33.6 percent in April 2020 to 14.1 percent in August.

With the lasting surge in the federal government's deficit far outstripping the temporary increase in personal saving, intense downward pressure is now building on already sharply depressed domestic saving. Compared with the situation during the global financial crisis, when

domestic saving was a net negative for the first time on record, averaging -1.7 percent of national income from the second quarter of 2008 to the second quarter of 2010, a much sharper drop into negative territory is now likely, possibly plunging into the unheard of -5 percent to -10 percent zone.

Indeed, in the second quarter of 2020, when COVID-19 hit full force, the net national saving rate quickly returned to negative territory, falling to -1.2 percent. Relative to the 2.9 percent positive rate of the first period of 2020, this 4.1 percentage point negative swing in the net domestic saving rate was the largest quarterly plunge on record. That could well be an ominous portent of what now lies ahead in an era of exploding federal budget deficits.

I look for a 35 percent plunge in the broad dollar index by the end of 2021.

A record shortfall of domestic saving and an unprecedented deterioration of the U.S. current account deficit are likely to be key in pushing the dollar sharply lower.

With unprecedented pressure on domestic saving likely to magnify America's need for surplus foreign capital, the current-account deficit should widen sharply. Since 1982, this broad measure of the U.S. external balance has recorded deficits averaging 2.7 percent of GDP; looking ahead, there is a distinct possibility that the United States current account deficit could break the previous record of -6.3 percent of GDP hit in the fourth quarter of 2005. Reserve currency or not, the dollar can hardly be expected to be spared under these circumstances.

THE CRUMBLING TINA DEFENSE

A second factor at work is a likely repudiation of the so-called "TINA" defense of the dollar—that There Is No Alternative. That has long been the common refrain of currency speculators who smugly caution that betting against the almighty Teflon-like greenback is a fools' game.

That argument is very important in one critical sense: the U.S. dollar, like any foreign-exchange rate, is a relative price. As such, it encapsulates a broad constellation of a nation's value proposition—economic, financial, social, and political—as viewed against comparable characterizations of other nations. It follows that shifts in foreign-exchange rates capture changes

in these relative comparisons—the United States versus the European Union, the United States versus Japan, the United States versus China, and so on.

My forecast of a 35 percent decline in the dollar is couched in terms of the comparison between the United States

and the currencies of a broad basket of America's trading partners. Individual components in this basket are weighted by country-specific trade shares with the United States and expressed in real terms to capture shifting inflation dif-

ferentials. As an economist, I care most about currency-related shifts in international competitiveness. The real effective exchange rate (REER), calculated monthly by the Bank for International Settlements, is particularly well suited for this task.

In dissecting the TINA critique of the weak-dollar forecast, it helps to start with the weighting structure embedded in the REER to get a sense of which of some 58 country-by-country relative comparisons might matter the most in pushing the Bank of International Settlements (BIS) construct of the broad dollar index sharply lower. Based on cross-border manufacturing trade flows, the BIS assigns the largest weights to China (23 percent), the

Eurozone (17 percent), Mexico (13 percent), Canada (12 percent), and Japan (7 percent). These five countries (or region, in the case of the Eurozone) account for 72 percent of the total trade weights in the broad U.S. dollar index. An additional 13 percent comes from countries six through ten: South Korea, the UK, Taiwan, India, and Switzerland. Weights of the top ten account for 85 percent of America's cross-border trade.

On this basis, the dollar can't go significantly lower without some combination of a strengthening in China's renminbi (RMB) and the euro. The currencies of America's USMCA partners (formerly NAFTA)—Mexico and Canada—also matter a good deal in that they account for 25 percent of U.S. manufacturing trade. Japan's yen is now of relatively little consequence to movements in the broad dollar index, given its sharply reduced trade weight.

The China call is especially contentious. From the trade war to the coronavirus war to the distinct possibility of a new Cold War, the American body politic now sees China as nothing short of an existential threat. The latest public opinion poll conducted by the Pew Research Center found that fully 73 percent of Americans viewed China in an "unfavorable" light in June 2020. That is up fully 26 percentage points from the pre-trade war readings of 2017 and, in fact, is the most negative

assessment of American sentiment toward China since the inception of this Pew survey in 2005.

Notwithstanding these increasingly negative concerns of the American public, the broad renminbi index is up 53 percent from its December 2004 lows in real effective terms (BIS basis). As long as China stays the course of structural reform—shifting from manufacturing to services, from investment- and export-led growth to consumer-led growth—and embraces a further liberalization of its financial system, the case for further RMB currency appreciation remains compelling, even in the face of an increasingly fraught relationship with the United States.

The call on the euro is also counterintuitive, especially for a broad consensus of congenital Eurosceptics like me. That goes back to my Morgan Stanley days when I argued repeatedly that an incomplete currency union—especially the lack of a pan-EU fiscal transfer mechanism—could not withstand the inevitable stress of asymmetrical shocks that typically arise in crises. Despite a strong political commitment to European unification as the antidote to a century of war and devastating bloodshed, there was always a critical leg missing from the EMU stool: fiscal union.

Not anymore. An historic agreement reached on July 21 on a €750 billion

(\$858 billion) European Union recovery fund, dubbed Next Generation EU, changes that—with profound and lasting implications for an undervalued euro. I now have to concede that

reports of the currency union's imminent demise have been greatly exaggerated. Time and again, especially over the past 10 years, Europe has risen to the occasion and avoided a catastrophic collapse of its seemingly dysfunctional currency union. From Mario Draghi's 2012 promise to do "whatever it takes" to save the euro from a sovereign debt crisis to

the recent Angela Merkel-Emmanuel Macron commitment to address the coronavirus crisis, the great European experiment has endured extraordinary adversity. While Draghi's pledge solidified the European Central Bank's credibility as an unshakable guardian of the single currency, it did nothing to address the greater imperative: the need to trade national sovereignty for a pan-EU fiscal transfer mechanism. That has now finally been accomplished.

Of course, the deal is far from perfect. Significantly, it requires unanimous consent from the EU's 27 member states—always a nail-biter in today's highly charged and polarized

political environment. And there was a major tug of war over the composition of the EU fund, which will comprise €390 billion in one-off COVID-19 relief grants and €360 billion in longer-

duration loans. While the devil could lurk in the details, the bottom line is clear: the Next Generation EU plan will draw critical support from large-scale issuance of pan-EU sovereign bonds. That finally puts the EU on the map as the backer of a new risk-free asset in a world that up until now has only known only one: U.S. Treasuries. That is

hardly a dollar-friendly development. The EMU stool finally has all three legs in place: a common currency, one central bank, and a credible commitment to a unified fiscal policy.

With China and the Eurozone accounting for 40 percent of U.S. trade, I would be the first to concede that the math of a U.S. dollar crash won't add up unless those two currencies rise significantly. And that is exactly what I now expect. Indeed, with both economies plagued by long standing current-account surpluses—albeit sharply reduced in China in recent years—currency appreciation is the classic cure for such imbalances.

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Movements in other currencies should reinforce that outcome. That is especially true of the yen, which should draw support from Japan's relatively successful COVID-19 containment strategy. The recent resignation of Prime Minister Shinzo Abe, long associated with yen weakness under his Abenomics campaign of the past eight years, could well allow the Japanese currency to reverse course.

The same can be expected from America's continental trading partners, Mexico and Canada, both of whose currencies were hit especially hard earlier this year by the lethal combination of the coronavirus shock and a stunning collapse in world oil prices. The plunge in the peso was exaggerated by an unwinding of so-called carry trades during the near meltdown of the American equity market in late March. Barring a double-dip recession in the global economy, safe-haven plays into the dollar should unwind over the balance of 2020 and into 2021, reinforcing the negative case for the dollar. While crypto-currencies and gold should also benefit from dollar weakness, these markets are far too small to absorb major adjustments in world foreign

exchange markets where daily turnover runs around \$6.6 trillion.

Alas, the TINA argument doesn't stop there. The counter to the case for dollar weakness also rests on

With America's share of reserves remaining well in excess of its share in world GDP and trade, the dollar's eventual demise as the world's dominant reserve currency might well be inevitable in an increasingly fragmented, multipolar world. The only real question is when—not if.

the dominant reserve status of the U.S. currency as the linchpin of world financial markets. All trading nations, goes the argument, have to hold the dollar as the price for doing business in an increasingly integrated dollar-based world economy.

Yet the U.S. dollar is now starting to look less like a monopoly as the currency of choice.

China, long the major source of global commodity demand, has been successful in pushing for RMB-based invoicing of global commodities. More significantly, the dollar's share of official foreign-exchange reserves has declined from a little over 70 percent in 2000 to a little less than 60 percent today, according to the BIS.

While the dollar is not in imminent danger of losing its status as the world's leading reserve currency, the secular downtrend in its share of reserves could gather momentum in the years ahead. Indeed, with America's share of reserves

remaining well in excess of its share in world GDP and trade, the dollar's eventual demise as the world's dominant reserve currency might well be inevitable in an increasingly fragmented, multipolar world. The only real question is when—not if. The 35 percent rout that I expect by the end of 2021 suggests that possibility may come into sharper focus sooner, rather than later.

In short, if TINA is the dollar's only hope, look out below. Not only are America's saving and current-account problems about to come into play with a vengeance, but the

Notwithstanding the longstanding hubris of American exceptionalism, no leading nation has ever devalued its way to sustained prosperity.

rest of the world is starting to look less bad. Yes, a weaker dollar would boost U.S. competitiveness, but only for a while. Notwithstanding the longstanding hubris of American exceptionalism, no leading nation has ever devalued its way to sustained prosperity.

THE END OF AMERICAN EXCEPTIONALISM

A third leg to the stool of the case for a dollar crash is the very notion of American exceptionalism, itself. In recent years, the United States has all but abdicated its long standing role as a global leader. The Trump Administration has led the charge in pushing ahead on de-globalization, decoupling, and protectionism with a trade war against

China. In contrast to Washington's mockery of globalists, other major powers are acting aggressively to fill the void.

China is an important case in point, with its Belt and Road Initiative and with its leadership in forming the Asian Infrastructure Investment Bank as an alternative to the World Bank's development funding platform. The contrast

with the European Union is especially striking. The EU's latest efforts to address climate change are particularly noteworthy—not only framing the Next Generation EU plan to be compliant with the Paris Climate Agree-

ment but also earmarking close to one-third of its broader budget package for green infrastructure and related spending initiatives. Trump has unfortunately gone in precisely the opposite direction, continuing to dismantle most of the environmental regulations put in place by the Obama Administration, to say nothing of having withdrawn from the Paris Climate Agreement in early 2017.

Moreover, America's COVID-19 containment has been an abysmal failure. Here as well, the contrast with the EU is compelling. Despite a recent resurgence in COVID-19 infection rates, the EU and its member states has repeatedly demonstrated a much deeper commitment to public-health policy and

enforcement. And then, of course, there is the latest twist to America's original sin—a history of systemic racism and police violence that erupted with a vengeance in the summer of 2020, sparking a transformative wave of civil unrest. Against this background, especially when compared with other leading nations, it seems reasonable to conclude that the likelihood of hyperextended saving and current-account imbalances will finally have actionable consequences for the U.S. dollar. Exorbitant privilege needs to be earned, not taken for granted. The United States has squandered one of its most cherished advantages.

Meanwhile, as the world's most unloved major currency, the euro may well be headed for an exceptional run of its own. That raises one of the most provocative questions of all: could we actually be moving from an era of American to European exceptionalism? Those are tough words to swallow for a hardcore euroskeptic like me. Yet I have to concede that the EU's recent fiscal breakthrough drives an important wedge between an overvalued U.S. dollar and an undervalued euro. Recent trading in foreign-exchange

markets now seems to be catching on to this development.

But there is a long way to go. The trade-weighted euro, even after a

bounce-back this summer, is still some 13 percent below its April 2008 high (BIS basis), underscoring the unmistakable upside for the most unloved currency in the world. At the same, the dollar index, despite its modest 5 percent weakening in the five months ending in September 2020, remains 27 percent above its July 2011 low. My prediction of a 35 percent drop in the broad dollar index is

premised on the belief that this is just the beginning of a long-overdue realignment between the world's two major currencies—an undervalued euro and an overvalued dollar.

Adding up—deteriorating U.S. macro imbalances, a crumbling TINA defense, and the demise of American exceptionalism—there is a compelling case for a sharp 35 percent fall in the broad dollar index by the end of next year. Shocking as that may seem, such an outcome is not without historical precedent. The dollar's real effective exchange rate fell by 33 percent between

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1970 and 1978, by 33 percent from 1985 to 1988, and again by 28 percent over the 2002-2011 interval. My forecast of a 35 percent drop between now and the end of 2021 is well within the range of these three earlier declines.

Foreign exchange markets currently appear to be only in the very early stages of catching on to such an outcome. Initially, as the pandemic broke out, the greenback was strong, benefiting from typical safe-haven demand long evident during periods of crisis. By BIS metrics, the broad dollar index rose almost 7 percent

in real terms over the January to April period to a level that stood fully 33 percent above its July 2011 low. The small 5 percent slippage in the five months since April is only a small step in the direction that I envision over the next year and a half. As the economic crisis starts to stabilize, hopefully in late 2020 or in early 2021, the dollar's decline should intensify, easily testing its July 2011 lows.

THREE IMPLICATIONS

So what does this all mean? The coming plunge in the dollar will have three key implications: inflation, trade diversion, and external

debt funding. Each will be discussed in turn. Firstly, it will eventually be *inflationary*—a welcome short-term buffer against deflation. However, in conjunction with what is likely to be a weak post-pandemic economic recovery,

this is yet another reason to worry about an onset of stagflation—the tough combination of weak economic growth and rising inflation that wreaks havoc on financial markets.

Soaring deficits and debt could compound the problem. For now, no one is worried about them because of a conviction that benchmark policy

interest rates will stay at zero forever. But with COVID-19 relief actions and a weak U.S. economy taking public debt to nearly 110 percent of GDP by 2025—up from 79 percent in 2019 and above the post-World War II record of 106 percent in 1946—something has to give.

History suggests that inflation may ultimately be the only way out. After World War II, the United States escaped from its public debts by reflation. Public debt fell by 0.9 percentage points a year from 1947 to 1957, while nominal GDP, helped by accelerating inflation, rose 7 percent annually. The ratio of debt-to-GDP soon plunged to 47 percent by

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1957. Today, a comparable shrinkage in the debt ratio would occur if inflation moved back to 5 percent.

With rock-bottom interest rates, open-ended quantitative easing, and the massive debt overhang, inflation may well be the only way forward for America and other Western economies. Increasingly frothy equity and bond markets, priced under the presumption that inflation is effectively dead, will not take kindly to such an outcome.

Secondly, to the extent a weaker dollar is symptomatic of an U.S. exploding current-account deficit, look for a sharp widening of the trade deficit. Protectionist pressures on the largest piece of the country's multilateral shortfall with 102 nations—namely the Chinese bilateral imbalance—will backfire and divert trade to America's other trading partners.

This *trade diversion* is already under way. In 2019, in response to Trump's tariffs, America's bilateral goods trade deficit with China shrank to \$346 billion—down from \$419 billion in 2018. At the same time, the overall merchandise trade deficit came down just \$25 billion in 2019, far less than the shrinkage of \$73 billion in the bilateral trade deficit with China. Widening trade

deficits with America's other trading partners—especially Mexico, Vietnam, Canada, Switzerland, and Ireland—were offsets to most of the narrowing of the China trade gap. To the extent these nations have higher cost structures than China, this trade diversion is the functional equivalent of a tax hike on long beleaguered American consumers.

The coming plunge in the dollar will have three key implications: inflation, trade diversion, and external debt funding.

Thirdly, who will buy the exploding issuance of U.S. debt? China has long been the largest foreign buyer of U.S. Treasuries. But in the face of an ever-escalating trade war and Washington's poorly timed wish for financial decoupling from China, it pays to ask whether China will sustain this role. At a minimum, there is good reason to wonder if there will be a significant shift in the terms that this *external funding* will now require.

This last question takes on added importance in the aftermath of the Federal Reserve's recent shifts in its monetary policy strategy. A tactical shift in the implementation of its price stability mandate—now aiming for an average 2 percent inflation target over an unspecified period of time—has effectively injected a low-interest rate bias into the currency calculus that was not evident under the Fed's prior policy framework. After years of inflation coming

in below target, the U.S. central bank is now arguing that it makes sense to accommodate temporary above-target inflationary overshoots that would have once had actionable consequences for monetary policy.

This is likely to have new and important implications for the dollar. The current account adjustment mechanism forces the deficit nation to make concessions to its foreign lenders in order to attract the external capital required to compensate for the shortfall in domestic saving. Those concessions can take two forms—offering higher returns via increased interest rates and/ or cutting the foreign acquisition price of U.S. assets via a weaker dollar. The Fed's new policy approach effectively rules out the interest rate concession option and puts more pressure on a dollar concession as a result.

THE SPEED OF DESCENT

The coming plunge of the dollar is likely to unfold surprisingly quickly. As we have found over the past several months, pandemic time runs at warp speed. That's true of the COVID-19 infection rate, as well as the unprecedented scientific efforts under way to find a vaccine. It is also true of transformational developments currently playing out in pandemic-affected economies. Just as a lockdown-induced recession brought global economic activity to a virtual standstill in a mere two months, the “sudden stop”—long

associated with capital flight out of emerging markets—often exposes deep-rooted structural problems that can impair economic recovery. It can also spark abrupt asset-price movements in response to the unmasking of long-simmering imbalances.

Such is the case for a pandemic-stricken United States. The aggressive fiscal response to the COVID-19 shock is not without major consequences. Contrary to the widespread belief that budget deficits don't matter because near-zero interest rates temper any increases in debt-servicing costs, in the end there is no “magic money” of the free lunch. Yet that has recently become conventional wisdom in the brave new era of “modern monetary theory.” Alas, that may be wishful thinking. In this time of pandemic, there is no conventional wisdom.

The U.S. Congress initially moved with uncharacteristic speed to provide relief amid a record-setting economic free-fall. As noted above, the Congressional Budget Office expects unprecedented federal budget deficits averaging more than 12 percent of GDP over 2020-2021. And, notwithstanding contentious U.S. political debate, additional fiscal measures are quite likely.

As noted above, with the net domestic saving rate having fallen to -1.2 percent in the second quarter of 2020, that

process is now unfolding very quickly. In the COVID-19 era, the net national saving rate could well plunge as low as -5 percent to -10 percent over the next two to three years. That means today's saving-short U.S. economy could be headed for a significant partial liquidation of net saving. In and of itself, that poses perhaps the greatest challenge to the long-term growth prospects of the U.S. economy. With all this unfolding at warp speed, the coming plunge in the dollar is likely to come sooner rather than later.

ELECTION WILDCARD?

Needless to say, the outcome of the November 2020 presidential election in the United States will have enormous consequences for America's position in the world. But will the verdict be enough to have a material impact on the bleak prospects for the U.S. dollar?

Clearly, many of the attributes of American exceptionalism have come under particularly intense pressure during the Trump Administration. But the pushback against globalization started long before Trump took office in January 2017. And even in the event of a

victory by former Vice President Joe Biden, these forces are likely to endure long after the Trump presidency comes to an end. To be sure, a Biden Adminis-

tration can be expected to be more supportive of alliance-driven multilateralism, re-engaging in frameworks and institutions long dominated by American global leadership—e.g. the Paris Climate Agreement, the Trans-Pacific Partnership, the World Trade Organization, and the World Health Organization. But will that be enough to reestablish America's once-unquestioned aura of global leadership?

To the extent that the anti-globalization backlash has coalesced around objections to trade liberalization and allegations of unfair trading practices, returning to a pre-Trump state of affairs is far more problematic. That is particularly the case when it comes to China, where public opinion polling underscores record levels of negative sentiment in most American demographic cohorts including age, education, and political party. While there is reason to suspect that the framework of engagement might change between the two nations—moving away from

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Twitter-driven bluster and across-the-board tariffs to issue-specific negotiations in areas such as intellectual property, market access, cyber security, and technology transfer—conflict with a rising China is likely to pose an enduring challenge for a Biden Administration.

At the same time, there is likely to be little relief from the macro-economic imbalances that are pushing the dollar lower. Indeed, there is a good chance that the federal budget deficit is likely to be higher in the event of a

Biden presidency, further depressing domestic saving and leading to an even deeper current account deficit. Downward pressure on the dollar will only intensify as a result.

Normally, a central bank would lean against the confluence of fiscal stimulus and a sharply falling currency and boost policy interest rates. Yet with its new, more forgiving monetary policy strategy, the Federal Reserve is less likely to do so. Indeed, the inflationary consequences of a sharply falling dollar may well be

even more consistent with the inflationary overshoot that the U.S. central bank is now seeking. Nor would a shift in the U.S. presidency have much of an impact on the case for currency appreciation in other nations—especially China and Europe.

If, on the other hand, Trump is re-elected, the baseline script outline above will remain largely intact. If there is one thing we have learned about the last four years, America's forty-fifth president never backs down from his core positions. Consequently, at this point in time—

apart from fairly typical trading volatility before and immediately after the upcoming November election—the die is pretty much cast for a weaker dollar, irrespective of the political verdict.

I fully recognize that currency calls have long been among the trickiest macro forecasts of all. Former U.S. Federal Reserve Chairman Alan Greenspan famously put them on a par with coin tosses. Still, sometimes it pays to take a stab. For the reasons outlined above, this is one of those times. ●

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THE PANDEMIC AND THE INTERNATIONAL MONETARY SYSTEM

CAN CHINA MOVE ON THE DOLLAR?

Zhao Ke

THE WORLD is at a crossroads, for the COVID-19 pandemic represents the most serious economic and social crisis since World War II. The “sudden stop” of economic activity worldwide has not only affected economic production and lifestyles in many countries; there is also a high probability that the pandemic will come to be seen as a key factor in determining the future of global trends in both economic and political domains. And at the center of global economic and political power lies the international monetary system, the future of which is almost certainly going to be deeply impacted as well.

THE FED'S ROLE

In the past two decades, the share of the U.S. dollar in the global credit market has further increased, and the scale of U.S. dollar debt has continued

to grow. According to statistics from the Bank of International Settlements, the dollar debt of non-U.S. banks outside the United States has increased from \$3.5 trillion in 2000 to \$10.3 trillion in 2019. The U.S. dollar debt of non-bank institutions outside the United States has grown even faster: today the figure stands at approximately \$12 trillion, which is almost twice that of one decade ago. By the end of 2019, the total U.S. dollar liabilities of banks and non-banks outside the United States had exceeded \$22 trillion. In addition, U.S. dollar debt from the off-balance sheet is even larger: estimates suggest the figure could be as high as \$40 trillion.

In this context, the COVID-19 pandemic has caused all kinds of market entities to sell U.S. dollar assets in order to “cash out” so as to avoid risks, which put high pressure on the offshore U.S.

dollar market. Because non-U.S. financial institutions and non-financial institutions can neither be financed in the U.S. capital market nor receive financial assistance from America's monetary authorities, many countries faced the risk of depleting their dollar supply.

In the United States, the demand for hedging has caused large-scale redemption from money market mutual

funds. In March 2020, the amount of redemption reached about \$160 billion, accounting for 15 percent of the assets of said funds. This had a

huge ripple effect on the entire financial market, especially for the commercial paper market, where institutional funds are its main investors. Money market mutual funds have suffered from large-scale redemption, which means that enterprises cannot issue bonds to obtain U.S. dollar funds to maintain normal operation. The resulting liquidity shortage has caused tremendous damage to the financial market and the real economy.

In order to alleviate the global “dollar shortage,” the U.S. Federal Reserve launched in mid-March 2020 an unlimited and indefinite multilateral currency swap mechanism with the European Central Bank, the Swiss National Bank, the Bank of England, the Bank of Canada, and the Bank of

Japan. A few days later, the Fed increased the frequency of swap operations with the aforementioned five central banks from one week to one day. One day prior to this last initiative, the Federal Reserve System had announced that it had reached \$30 to \$60 billion arrangements with the central banks of nine other countries, namely Australia, Brazil, South Korea, Mexico, Singapore, Sweden, Denmark, Norway, and New Zealand.

Moreover, the Fed launched a temporary repurchase agreement arrangement in late March 2020 in order to meet the U.S. dollar demand from countries outside the Fed's currency swap network. This allowed 170 foreign central banks and international institutions that hold accounts in the Fed's New York branch to join the repurchase agreements. This way, these institutions could temporarily use their holdings of U.S. Treasury bonds as collateral in exchange for U.S. dollar liquidity.

This was the first time that the Fed had allowed foreign central banks to exchange their U.S. Treasury bonds into U.S. dollars in the form of repurchase. This operation ensured that the Fed was able to further provide U.S. dollar liquidity to the world, which is in line with its “global central bank” function, serving as the world's last resort lender.

The role of the Federal Reserve as the global last resort lender has been further consolidated.

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As of mid-June 2020, the European Central Bank has received \$145 billion through its currency swap agreement with the Federal Reserve. The Bank of Japan received \$226 billion. The Bank of England received \$38 billion. The Bank of Korea received \$19 billion. The Swiss central bank received \$11 billion. The Central Bank of Singapore received \$10 billion.

Since then, the currency swap lines between the Federal Reserve and other central banks have decreased significantly, and the “dollar shortage” has been eased to a certain extent. In this situation, an institutionalized U.S. dollar system with the Federal Reserve at the core is being formed. This is an imbalanced system that includes “center-periphery edge.” All told, through this institutionalized dollar system, the role of the Federal Reserve as the global last resort lender has been further consolidated.

EURO RECOVERY

Since the euro came into being, its proponents have argued that it is destined to become an international currency that can keep pace with the U.S. dollar, break the monopoly of the U.S. dollar, and inject new impetus

into efforts to diversify the international monetary system. However, euro internationalization has not been that successful. In June 2020, the European Central Bank admitted that the current internationalization index of the euro

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was only 19 percent, a historically low level. In fact, the euro has still not recovered to its peak 2005-2006 level, which stood at 24 percent. Obviously, the leaders of the eurozone countries are not satisfied with the current degree of the euro's internationalization, and have emphasized that its international status should at least roughly correspond to the EU's weight in the global economy.

The bottleneck of the euro's internationalization lies in politics: a unified currency lacks the support of a fiscal union, and political integration lags behind currency integration. This inherent institutional defect makes the euro unable to obtain sovereign guarantees, which essentially makes it a currency without a country. This in turn makes the euro unable to guarantee sufficient confidence in the market, and its internationalization level is therefore considerably restricted. The “northern countries,” represented by Germany, have

always opposed the eurozone's fiscal integration out fear that this will turn the EU into a “transfer payment union” and a “debt sharing union,” triggering the onset of a fiscal “moral hazard” in the eurozone countries, and weakening the internal driving force necessary to carry out structural reforms.

The COVID-19 pandemic may also drive Europe to form a new political consensus. The EU member states need unprecedented efforts and innovative ways to deal with the crisis in order to promote the integration, resilience, and transformation of the EU. Germany, which has always opposed the issuance of joint bonds, has undergone a fundamental change in its position in the face of the severe reality of the EU's economic recession and the loss of the Union's internal cohesion.

Thus, in mid-May 2020 Germany and France jointly initiated the establishment of a €500 billion Recovery Fund to assist the industries of EU member states that had been severely affected by the COVID-19 pandemic. The core content of the initiative is to issue bonds in the name of the European Union in the international capital market to

finance the establishment of a recovery fund. In order to repay debts, the EU's fiscal autonomy has expanded and new taxes such as digital taxes or financial transaction taxes have been introduced as one source of debt repayment. The

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EU's 27 member states will guarantee the EU bond issuance based on their share of “contributions.” After the funds are collected, the EU will issue subsidies to affected member states and industries, without repayment.

This initiative is “revolutionary” because it has essentially exceeded the legal authorization

allowed by the various EU treaties. Although the German and French use the term “fund,” they do so in order to carefully avoid the use of the term “common bonds” that would inevitably cause great controversy. The proposed fund is operated in a “fiscal integration” way, including the joint issuance of bonds, unified use of funds, and free transfer payments.

It should also be noted that at a special European Council summit that took place in mid-July 2020, member states passed a resolution to establish a recovery fund called “Next Generation EU” based on the German-French initiative.

The difference is that the fund scale was expanded to €750 billion, of which €390 billion are free allocations, and the remaining €360 billion are loans.

What the Recovery Fund revives is not only the “European economy,” but also “European politics,” which objectively compensates for the shortcomings of the euro system. This is reflected in three aspects as follows: First, fiscal integration has taken a substantial but ultimately small first step. The establishment of the Recovery Fund gives the European Commission the power to raise funds in the international capital market and to levy new taxes in the EU Common Market. Although there are still many restrictions on the scale, time, and scope, it has the key elements for a fiscal union.

Secondly, the Recovery Fund provides a safe asset covering the entire eurozone. For any currency to be taken seriously as international, it must provide safe assets for investors to hold and trade.

Currently, the distribution of safe assets in the eurozone is extremely uneven. Although they are all denominated in euros, only German government

bonds can be considered to truly be safe assets. Once a crisis occurs, investors will rush to buy German government bonds and sell the bonds of peripheral countries. However, the size of German government bonds is limited and not enough to absorb the resulting huge liquidity. Such a scenario would not only cause price distortions in the financial market, but also put the euro in an uneven state.

The bonds issued by the Recovery Fund in the name of the European Union are jointly guaranteed by twenty-seven member states, which essentially creates a new

type of safe asset that is not linked to a specific member state, but covers the entire eurozone. Although the scale of €750 billion is less than 5 percent of the U.S. Treasury bonds in circulation—and is thus still far from achieving the goal of creating a eurozone safe asset market with sufficient depth and breadth for global investors to participate in—the mere issuance of Recovery Fund bonds indicates that the EU has begun to move in the right direction.

Finally, the political cohesion of the EU is increasing. The essence of modern currency is government credit, and the euro’s internationalization

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also depends on the credibility of EU-level macroeconomic and political policies. To some extent, the Recovery Fund has given EU institutions the leverage to coordinate the different interests of member states, implement EU policies, and promote the EU speaking with “one voice.”

The use of the aforementioned funds has clear regulations: they are not to be used in traditional industries, but in green industries, the digital economy, and sustainable development. In addition, the distribution of funds

is also linked to the domestic political agenda of each member state. If one of these introduces a policy or law that violates the common values of the EU, it will lose the EU’s transfer payment.

But let us not forget this critical point: capital flow is the touchstone of confidence. Since mid-June 2020, the exchange rate of the euro against the U.S. dollar has risen sharply, exceeding 6 percent.

A CHANCE FOR THE RMB

Since the Chinese government launched the RMB settlement business for cross-border trade in 2009, the RMB has officially begun the journey of internationalization. The RMB is

currently the fifth largest international currency in the world. As of 2019, the RMB ranks fifth in the currency composition of reserve assets held by member states of the International Monetary Fund with a market share of 1.95 percent, which was 0.88 percentage higher than when the RMB first joined the SDR basket in 2016.

In the past ten years, major breakthroughs have been made from scratch in the internationalization of RMB. The Chinese government has always taken a very cautious stance on the internationalization of

RMB. In a sense, RMB internationalization is a “forced” policy choice taken in response to external challenges. The explanation is this: After the global financial crisis in 2008, the U.S. Federal Reserve began to implement a super-loose monetary policy, which put China’s huge foreign exchange reserves at risk of “shrinking.” Due to the awareness of possible risks that may arise from excessive reliance on the U.S. dollar in international trade and investment, the Chinese government has been actively promoting the internationalization of RMB since 2009.

Motivation behind the implementation of this policy was mainly to avoid external economic risks, whereas now,

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in the face of increasing confrontation in international politics and the resulting intensification of geopolitical competition among major powers, we have seen how the United States has abused its financial advantages to strengthen its strategic competition with China. It has thus become necessary for China to now accelerate the internationalization of the RMB in order to avoid external political risks.

The COVID-19 pandemic has had a huge impact on the current international monetary system. In the short term, the coronavirus crisis has strengthened the position of the U.S. dollar as an international currency. However, in the long term, the turbulence of the international monetary system could provide new opportunities for the internationalization of the RMB. Three reasons come to the mind:

First, the resilience of the Chinese economy enhances the international appeal of the RMB. The Chinese government has brought the COVID-19 epidemic under control in a relatively short period of time. The Chinese economy was able to recover quickly and go back to a growth track simultaneously, which

enabled China's economy to show strong resilience. In the second quarter of 2020, it rebounded sharply and grew by 3.2 percent. And so, China became the first of the world's major economies to restore economic growth under the shadow of the COVID-19 pandemic.

Secondly, the strengthening of the global financial safety net requires the RMB to play a greater role. The COVID-19 pandemic has shown that the global financial safety net has serious flaws. Certainly, the Fed played the role of a "global central bank" in this crisis and provided liquidity to other coun-

tries through currency swaps. However, the Fed only provided currency swaps to some countries, and its criteria for selecting currency swap countries was not transparent. This means that the countries not included by the Fed in its network could not and still cannot get timely assistance.

In this crisis, as the core institution of the global financial safety net at the multilateral level, the IMF has provided \$100 billion in emergency funds to many developing countries and may mobilize up to \$1 trillion in loans.

In the short term, the coronavirus crisis has strengthened the position of the U.S. dollar as an international currency. However, in the long term, the turbulence of the international monetary system could provide new opportunities for the internationalization of the RMB.

However, the financial needs of emerging markets and developing countries may reach up to \$2.5 trillion dollars. In addition, due to the stringent requirements from the IMF aid release, many countries have been discouraged from seeking such support. The root cause of the failure of the global financial safety net is that the U.S. dollar is essentially the only global security asset. The U.S. is the only supplier and cannot print money indefinitely to meet external demand. This leaves the U.S. dollar always in short supply whenever a crisis comes about.

The solution lies in the diversification of international reserve currencies. Other countries can also issue liquid global security assets so that central banks do not have to rely too much on the U.S. Federal Reserve to provide assistance in times of crisis. Through this, there will be multiple countries around the world to provide international liquidity. As the world's second largest economy, China is working to make the RMB into a main reserve currency and provides safe assets denominated in RMB for the global capital market. This method will make the international financial system more safe, and promote the internationalization of the RMB to more conform to the requirements of the times.

As the world's second largest economy, China is working to make the RMB into a main reserve currency and provides safe assets denominated in RMB for the global capital market.

Thirdly, the political foundation of the international monetary system has undergone new changes. The formation of the international monetary system is not only the result of market forces, but also a kind of "politics among nations" and a concrete manifestation of the international political structure in the currency field. The status of reserve currency issuing countries originates from economic strength, but also depends on the support of major economies and, especially, political alliances.

The history of the evolution of the international monetary system shows

that the close relationship between reserve currency issuing countries and their political partners can effectively increase their currency's share of global reserves. Conversely, if a reserve currency issuing country loses the political support of its allies—and even if it still maintains good economic fundamentals—the international status of its currency will inevitably suffer a negative impact.

Although the U.S. dollar is still the "dominant" reserve currency in the current international monetary system, the Trump Administration's "America First" foreign policy has weakened the multilateral international order established in the wake of World War II.

MORE CONFIDENCE NEEDED

The traditional view is that due to the existence of network externalities, dominant reserve currencies have advantages and form natural monopolies. The traditional view also holds that it is difficult for a rising currency to challenge this status. However, recent empirical research shows that although network externalities exist, they are not strong enough to prevent other currencies from taking on more prominent roles.

Under certain conditions, a rising currency can become a reserve currency in a relatively short period of time. There is no reason why the international monetary system needs to be limited to accommodating only one dominant reserve currency in the event that it can be shown that several international currencies can keep pace with each other. History vindicates this hypothesis. For example, although the British pound was the dominant global reserve currency before World War I, the French franc still accounted for 31 percent of global foreign exchange reserves in 1913, and the share of Germany's Goldmark was 15 percent. In 1913, international payments almost never used U.S. dollars, but just one decade years later, the U.S. dollar and the British pound

were on par, with the U.S. dollar surpassing the British pound in 1929.

So in 1929, at the dawn of the Great Depression, the U.S. dollar accounted for 56 percent of global foreign exchange reserves—a figure that demon-

A window has opened for China to seize the opportunity brought about by the loosening of the U.S. dollar system and actively promote a new round of higher-level and higher-quality RMB internationalization.

strates the inaccuracy of the widespread belief that the U.S. dollar only became an international currency after World War II. Therefore, in the face of a new trend of the evolution of the international monetary system under the pandemic, a window has opened for China to

seize the opportunity brought about by the loosening of the U.S. dollar system and actively promote a new round of higher-level and higher-quality RMB internationalization.

China's economy has entered a new stage of high-quality development. Under the new situation, the path of RMB internationalization should be adapted accordingly rather than simply continuing the internationalization method of the past 10 years in which the expansion of RMB cross-border settlement has been the main focus. Instead, China should focus on raising confidence in the RMB, thus effectively enhancing its core attractiveness as a potential reserve currency.

Whether in an economic upswing or in a recession, the fundamental difference between reserve currencies and general sovereign currencies is that the former do not only facilitate cross-border payments for international trade and financial activities. More importantly, reserve currencies provide a confidence guarantee for such transactions such as: reserving high-quality products that are difficult to be replaced in currency issuing countries, acting as financial products of global safe assets, and taking global governance capabilities to assume international responsibilities.

Whether in the historical cases of the UK, America, or Germany, the time when their currencies became reserve currencies was also the day when their industrial competitiveness reached world-class levels.

Whether in the historical cases of the UK, America, or Germany, the time when their currencies became reserve currencies was also the day when their industrial competitiveness reached world-class levels. The two factors were synchronized. Therefore, the improvement of Chinese enterprises' innovation capabilities would enable them to provide differentiated and irreplaceable industrial products to the international market, thereby enhancing their bargaining power in designating a clearing currency when negotiating contracts. This is the most solid micro-foundation for RMB internationalization.

Such confidence can come from the real demand for high-quality "Made in China" products. The initial impetus for the internationalization of a country's currency is trade: the real demand coming from other countries for the country's commodities, especially the demand from industrial products. Since a country's commodities have a considerable degree of irreplaceability, that same country has a stronger bargaining ability. This ability drives international buyers to use the country's currency as a means of payment to complete transactions, and forces other countries to reserve the country's currency to ensure the smooth progress of trade with that country.

Heightened confidence should also come from understanding RMB assets as global safe assets. The world economy is always advancing in cyclical ups and downs, and the financial market is full of crises and turbulence, which is why global safe assets are in huge demand with investors—namely, out of risk aversion.

As a reserve currency, a country's currency should not only meet the demand for transaction convenience, but also meet the demand for security. The keys to this are: to provide stability for the turbulent global financial market, to have a

high-quality and high-level bond market, and to provide safe assets with sufficient liquidity for global investors. Conversely, the supply of large-scale safe assets has brought about strong support for the status of reserve currency.

China thus needs to accelerate the reform of its domestic financial market, expand the depth and breadth of this same domestic financial market, and attract global investors to hold RMB assets. This kind of reform is to act not only as an investment portfolio for profitability, but also as a safe asset for hedging purposes.

Moreover, the status of a reserve currency does not entirely depend on the economic fundamentals of the issuing country. To a great extent, it depends on whether the issuing country can construct a world political and economic order that is conducive to peace and prosperity. In other words, the ability of shaping global governance indeed matters.

Judging from historical experience, the decline of a reserve currency's status is often not due to the fact that the issuing country is no longer economically strong. Rather, it is often due to the development of a situation in which the issuing country is no longer able to maintain the

international order it has created, coupled with its weakening willingness and ability to perform international responsibilities.

Such factors tend to erode the confidence of other countries in the intrinsic

If a reserve currency issuing country loses the political support of its allies—and even if it still maintains good economic fundamentals—the international status of its currency will inevitably suffer a negative impact.

value of the reserve currency in question. The British dilemma about maintaining its currency's international status after World War I is effectively the same as the American one at present. In contrast, since a number of important decisions were taken in 2012 during the Eighteenth National Congress of the Chinese

Communist Party, the country has actively participated in global governance, actively taken on international responsibilities, put forward the Belt and Road Initiative, established a new type of international relations centered on win-win cooperation, adhered to the correct view of righteousness and benefit, and built a community with a shared future for mankind.

All told, these concepts, initiatives, and measures have received extensive attention from the international community. China continues to strengthen its capacity building and strategic investment in global governance whilst also building a global partnership network. This will provide a lasting impetus to the new round of RMB internationalization. ●



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(Above) Ambassador Nikki Haley receives the 2018 Global Leadership Award. (Left) Vice President Mike Pence delivers historic speech on China policy.

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THE SWINGING POLITICS OF AMERICAN CAPITALISM

Andy Kessler

POP quiz: who said that “in the grip of the world-wide recession, we must all stick to anti-inflationary, high-productivity policies that adapt new technology, retrain workers, and increase efficiency?” Donald Trump? Joe Biden? Angela Merkel? Emmanuel Macron? Nope, the answer is Ronald Reagan. Yup, that’s what Reagan said back in May 1983, speaking on the eve of the Williamsburg Economic Summit of Industrialized Nations.

Granted, Reagan didn’t have the COVID-19 pandemic to worry about back then: when he spoke of the “evil empire” in March of the same year he wasn’t referring to a deadly virus that was crippling the world’s economy, but the communist block led by the Soviet Union.

Still, might there be relevant similarities between 1983 and 2020? To find out, as few months ago I called up Larry

Kudlow, director of the White House National Economic Council. I asked him about the comparison and here’s what he said: then, as now, to get out of our economic doldrums, the “same principles apply. You want to reduce tax rates, generate incentives, reignite the animal spirits, and deregulate to remove business obstacles.”

Without Reagan’s principles, the capital investment and innovation since 1983 might still have happened, just more slowly. We’d be getting that original iPhone right about now, delaying improvements in everyone’s living standards. Wait, no Uber?

Since the onset of the coronavirus pandemic, nearly 60 million Americans have filed jobless claims. We still need jobs, badly. And aside from jobs, Kudlow insisted, “you must reignite growth—you must. Your car battery is dead because you haven’t used it

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Photo: Gulliver Image/Getty Images

Ronald Reagan recording a radio address on the eve of the Williamsburg Economic Summit of Industrialized Nations held in May 1983

in three months, so you have to pull out the jumper cables and reignite the battery, which is what we are trying to do with the economy.”

In 1983, the U.S. economy had just gone through the ravages of Paul Volcker’s inflation-slaying recessions. Now it’s zero inflation and lockdowns. As in 1983, so in 2020, Kudlow said: “the message is the same: growth, taxes, deregulation, trade.” He’s right, but has it resonated? Somewhat on this side of the “pond,” as it were, but certainly not in Europe. “Macron cut the corporate tax in France, unfortunately phased in. Germany has a pretty

deregulated labor market. Britain has relatively low tax and capital-gains rates. But there’s no Reagan figure, no Reagan model for the EU. There never was.” Will there ever be?

Who gets it? “BoJo,” he says, the UK’s Boris Johnson. “I have said to him, ‘I’m all for Brexit. It’s Magna Carta 2.0. You can liberate Britain, but you have to make Britain a great investment haven, like Singapore or Hong Kong before the Chinese took over, and you’ve got to cut your tax rates as much as possible to attract capital.’” It hasn’t happened yet, I point out. “So buy America,” Kudlow quickly adds.

But America can't do it by itself, I said. He disagreed: "I think we can do it ourselves. I think we always have done it ourselves. The U.S. drives the world economy; it doesn't drive us. In the Reagan years it was the same. Everyone said the rest of the world would drag us down. Not true. That's why we run trade deficits, which the president doesn't like, but it just means we're growing faster than they're growing. We're importing capital." I appreciate the eat-my-dust mentality, but we're all better off if the rest of the world participates.

"The best scenario," Kudlow explains, "would be that the U.S. [...] maintains the Reagan playbook: lower tax rates, lower regulation, steady currencies, supply-side incentives for future growth," and so on, he concluded.

Kudlow sure seems to have hit the nail on the head. After all, the stock market is way up off its coronavirus bottom and the S&P is up 7 percent on the year, confounding investors and CNBC anchors alike. It's obvious the market is assuming a robust recovery driven by synchronized global growth, but that doesn't happen magically. I think the world needs the Reagan playbook again, instead of crony industrial policy or boondoggle

infrastructure spending, else those market gains evaporate.

And yet, Bill Clinton's old slogan—"it's the economy, stupid"—doesn't seem to cut it anymore. Certainly not in America, which is gearing up for one of the most important elections in living memory.

This election, which is going to happen in just a few weeks, is taking place against a political backdrop that pretty much everyone seems to think has Uncle Sam

at the crossroads.

This election is taking place against a political backdrop that pretty much everyone seems to think has Uncle Sam at the crossroads.

RESONANT FREQUENCY OF DESTRUCTION

It sure feels like politics in America are swinging out of control. Have we reached the resonant frequency of destruction? Oh, how we've swung—from the lefty Third Way of Clinton-Gore, to the righty foreign adventures of Bush-Cheney, to the progressive "Life of Julia" nanny state of Obama-Biden, to today's confused tariff and border-wall follies of Trump-Pence. No wonder we throw the bums out every four or eight years.

Physics students learn that everything has a resonant frequency, which can cause an object to vibrate with increased amplitude and eventually out

of control. This is how opera singers can shatter glass.

One real-life example is "Galloping Gertie." In November 1940, a day with 55 kph winds, Washington state's Tacoma Narrows Bridge, then the world's third-longest suspension bridge (after the Golden Gate and George Washington) and just four months after completion, started to twist and swing out of control. Movie footage shows what seems like a wave of energy pulsing through the bridge until, after an hour, it collapsed. Apparently, it had hit its resonant frequency.

Has U.S. politics, always bouncing to the left and to the right, reached its own resonant frequency? Impeachment hearings, looting, fighting in the streets, burning cities, and the absurd response to the coronavirus sure feel out of control.

Our political system was brilliantly built to last. To the three branches of government, we added freedom of speech and the press as a fourth wall of checks and balances. The two-party system forces compromise and competition for the middle. The Senate and Electoral College counterbalance urban and rural needs. There's no question the system is flexible enough that, outside a few extreme modes—civil war, civil rights—it hasn't come close to its resonant frequency of collapse. Sure,

we get a racist George Wallace on one extreme and socialist Bernie Sanders on the other, but voters are smart enough to understand their danger and not get fooled again. American democracy is fragile but sturdy.

But that sturdiness has begun to twist and may well be swinging out of control.

Consider what happened around Memorial Day. The burning of police stations and riots in the wake of the horrific murder of George Floyd tested the system's limits. Nationwide unrest and the televised attack on the flimsy fence in front of the White House felt like a wave pounding the country, about to shatter it like glass.

Leadership failed on all sides. President Trump could have calmed nerves by giving a "healing" speech. He didn't. During a congressional debate over police tactics in June 2020, Speaker Nancy Pelosi told the *Washington Post's* Robert Costa, "I don't think the street will accept no action on this." The "street"? Is this 1789 Paris? The *Washington Post* reporter didn't even push back. Was the speaker really saying protesters threatening violence in the streets get a direct say in legislation? Sure sounded like it. This is ideology swinging too far.

For months, lawless enclaves in Seattle and outside City Hall in New York

kept pumping the wave, and continuing violence in Portland, Oregon, and elsewhere literally keeps the fires burning. Was Gertie galloping again? Is she still?

Okay, physics nerds are probably already smirking. It turns out that at the Tacoma Bridge one perspective of the filmed collapse often gets played back faster, at 24 frames per second vs. the camera's original 16. So what certainly looks like resonant frequency gone bad actually wasn't—it was only high wind and a poorly designed, cheaply built bridge. Physics teachers led generations of students astray.

But there was no excuse for the collapse. John Roebling and his son Washington figured out the solution in the 1860s and 1870s with their design and construction of the Brooklyn Bridge (which I happen to own, ahem). Counterintuitively, the trick to suspension bridges is to make the weight of the roadway as heavy as possible. Rather than a threat to the integrity of the bridge, more weight makes it sturdier in high winds. Yeats was wrong; the center can hold.

So too with democracy. It needs weight to add stability. The United

States used to have it: our Founders, solid education in Western civilization, a steady currency, a balanced press. Our current bridge is light without them.

We live in a time of massive change and upheaval, with retailers and malls closing, manufacturing outsourced or automated, and

media outstreamed and creamed. And then COVID-19 piled it on by shuttering hotels, restaurants, theaters, concerts, and flights. Many lost jobs won't come back.

Yet we can withstand economic turbulence if our thinking remains

stable. Today's fashionable disaster-scenario complaints about climate change, victimhood, and inequality are so often overwrought, and have the effect of throwing a Molotov cocktail at America's problems rather than building constructive solutions. Maybe those good old-fashioned social anchors, like strong families and religion, values and principles, were there for a reason.

HAMMER TIME

This is the political context within which we can reflect on this past summer's grilling of CEOs before the House Judiciary Antitrust Subcommittee. Amazon's Jeff Bezos, Apple's Tim Cook, Facebook's Mark Zuckerberg and

Google's Sundar Pichai were the star attractions: the public faces of tech success stories versus lawyers and career politicians who probably have an aide print out their emails. Broadway is closed because of the pandemic, so this was must-see theater.

In such situations, the CEOs' task is to disarm, dissuade, and dissipate. No need to upstage congressmen, who are playing a weak hand. Antitrust is driven by consumer harm. Sure, there are screw-ups: Amazon favors its own products, Apple its own apps, Google its own YouTube videos; Facebook collects too much personal data. Yet none of these habits necessarily harm consumers and all could be easily fixed without decadeslong antitrust inquisitions. Lawyers are taught: "If you have facts on your side, hammer the facts. If you don't, hammer the table." And so we got loud table banging.

My advice would have been for Zuckerberg to play up consumer benefit: "Chairman [David] Cicilline, 85.7 percent of registered voters in your Rhode Island district use Facebook for over an hour every day." He should have gotten him thinking:

would they vote for Facebook over me? Instead, questions might have flown on about an advertiser boycott over "hate speech and divisive content"—remember: Disney recently joined Starbucks, Ford, Unilever, and Verizon. But branded advertising doesn't really work on Facebook, hence brands are saving

money by boycotting. Even months later Zuck must still be thinking: we don't need these Mickey Mouse outfits.

Facebook is a small-business platform, and a critical one. Millions of companies rely on it to sell products locally and often nationally. Thus Zuckerberg could have asked the esteemed members of

the U.S. House of Representatives: "are you against small businesses? Is this an indictment of our entire American society? Well, you can do whatever you want to us, but I for one am not going to stand here and listen to you bad mouth the United States of America. Gentlemen!" That last part was Otter in "Animal House," but you get the point.

On the other hand, Amazon could have demanded praise—like when you ask the annoying Parisian waiter, "do you speak German?" and as he sputters "non" you say, "you're welcome."

Today's fashionable disaster-scenario complaints about climate change, victimhood, and inequality are so often overwrought, and have the effect of throwing a Molotov cocktail at America's problems rather than building constructive solutions.

After all, Bezos' job was simple: "Congressman, have you watched House of Cards?" (They all have.) "You're welcome. Netflix uses Amazon servers. So does Zoom. Did you get your next-day delivery of that 6-quart Instant Pot? You're welcome." Lock-downs would have been undoable without Amazon Prime.

Google and Apple could have talked about similar mobile lifelines to consumers, anonymized data tracking movement trends, and their work on contact tracing through smartphones. Google has heat maps for searches for "fever."

Again, the advice would have been to stick to facts—an obvious lesson, yet one that Jack Dorsey forget to apply a few years ago. During 2018 testimony, the Twitter CEO swore up and down that the site didn't "shadow ban," or stop certain users (mainly on the political right, as it happens) from trending or showing up in searches. Twitter's algorithms, he claimed, were merely tracking "behavioral signals."

Then—whoops—hackers recently accessed the accounts of Joe Biden, Elon Musk, Barack Obama, and others, and released screenshots showing a "secret admin panel." Twitter hasn't denied

the images were real and quickly took them down. The panel had buttons for "Trends Blacklist" and "Search Blacklist"—the definition of shadow banning. It made Dorsey's denials sound fact-challenged, at best. Maybe that's why he said he plans to work from Africa. So his fellow CEOs had Dorsey to thank for the commonsensical advice to stick with facts.

When asked about hate speech, just challenge Congress to define it and say you'd be happy to get rid of it.

As we look forward to the next series of hearings—and let's not kid ourselves, there will be a "next" set of hearings—here's some advice for the tech CEOs fortunate enough to be called before Congress as they prepare for their grilling: Disarm. Check. Dissuade. Check. But how do you dissipate? Same easy advice I would have given to the tech CEOs in July: when asked about hate speech, just challenge Congress to define it and say you'd be happy to get rid of it. Maybe Congress will rise to the challenge, but the Supreme Court is likely—some would say inevitably—to rule that whatever they come up with violates the First Amendment.

Bottom line: tech companies are being beaten up for their size and success. That's just envy. Eventually competition—especially from each other—and the next wave of cool technology will topple them.

And it got me to remember how I thought, as I watched the July hearings, that had I listened very closely, I would have ended up hearing rumblings of the antitrust "theory of competitive harm." That theory abandons any hard proof of consumer harm and holds, for example, that Facebook can be broken up merely because its purchase of Instagram prevented a competitor from emerging. Even squishier is the "New Brandeis School" and, get this, "Hipster Antitrust," which say the purpose of antitrust is to help solve inequality and other social ills. That sure sounds like hammering the table, not facts.

UPGRADING HUMANITY

Since we're on the subject of hammering the table, I was reminded of the claim made in February by former Googler and podcaster Tristan (rhymes with "twist-on") Harris, director of the weirdly named Center for Humane Technology, that Big Tech was "downgrading humanity." Harris and many of his fellow tech skeptics describe humans as little different from pets, believing everyone who uses Facebook or an iPhone is a manipulatable idiot. He couldn't be more wrong.

Harris preaches about an "attention crisis." Okay, you have my attention. Testifying before the Senate in 2019, he said tech companies are in a "race to the bottom of the brain stem." He also claimed humans in the 21st century

still have "Paleolithic emotions." Basically, "we're chimpanzees with nukes." Wait, did he just call you a chimp?

Elsewhere he has claimed that social networks are delivering "outrage that works on the piano key of your nervous system." The man can certainly turn a phrase. He explains that "technology is getting better and better at hacking human weaknesses." And you'd better put down that glass, because "we're drinking from the Flint water supply of information."

Harris's most fevered claim is that social media has taken over politics. "We're not really in control of world history anymore," he says. "The technology companies that are shaping our information sense-making environment are in control of every major electoral outcome, and whether people believe conspiracy theories." And there it is. It isn't Hillary Clinton's fault she lost in 2016. It was maybe the Russians and certainly Big Bad Tech. Harris insists "one side is currently winning by there not being regulation." You can probably guess which one he means.

Harris believes "we've been manipulated into this multiyear-long hypnotic trance," and that "we need someone to snap their fingers and wake all of us up out of this." A savior, a messiah. Might that someone be Harris?

Alarmism can be a lucrative business.

In 2018 Harris received funding from eBay founder Pierre Omidyar. He also has a deal with the brother of climate scold Tom Steyer to spend \$7 million and use \$50 million of donated media from Comcast and DirecTV, which have their own bone to pick with Big Tech. Maybe that's why Harris insists that "human downgrading is the climate change of culture." Uh boy.

Earlier in 2020, Harris asked Congress to launch a massive public-awareness campaign—"an inoculation campaign"—similar to those run in the 1940s by the Committee for National Morale and the Institute for Propaganda Analysis. I'm not kidding.

Every generation goes through tremors when something new arrives. Elvis's hips. Pinball. TV. Rock 'n' roll. Videogames. For the most part, everyone turned out okay. Sure, we've all gone down the rabbit hole of hyperlinks and insect-fighting videos. So what? We're bored.

Harris is right to say we "need to upgrade human capacity," but the question is how. Social media, which he would kneecap through regulations like banning microtargeted ads, is actually doing that upgrading: training the next generation of knowledge

workers, teaching them how to multitask, think in several dimensions, click and swipe their way to information, and find knowledge and solutions in a noisy world. Free twenty-first-century training.

Most important, users of today's media platforms are getting used to identifying fake news. Sorry, but people aren't stupid. Our internal defenses against deceit and bias go up when inundated and irradiated with nonsense.

News flash: There are charlatans and hucksters in the real world—in "meat space"—too. President Trump used a sharpie to fudge hurricane paths. Susan Rice blamed a video for the murders in Benghazi, Libya. The *New York Times* recently said "mourners" stormed the U.S. Embassy in Iraq last year, much as "students" took over the U.S. Embassy in Iran in 1978. There are free-trade agreements that aren't free. And if you like your doctor...

Yes, those under the age of 16 need to limit their use of technology as their brains develop, but not cold turkey. Isn't that the job of parents rather than government or nonprofits? Remember when movies and TV were damaging our minds? Me neither. If anything, traditional media drives conformity, whereas social networks at least allow freedom of expression. Somehow that's now inhumane?

The cries of Harris and other aggravated social-media critics sound like demands to turn back the clock to simpler times. But there's no putting the toothpaste back in the tube. Only fools will try. For all its flaws, social networks and artificial intelligence keep delivering value and utility to users, training people for a world that moves in nanoseconds. Better to teach the next generation how to keep up. *That's humane.*

IBM YESTERDAY, APPLE TOMORROW?

Speaking of keeping Sup, months after Apple announced that it plans to replace Intel processors with its own, I still have flashbacks to 1993. Morgan Stanley's technology investment banker Frank Quattrone called me in New York: "John Sculley"—CEO of Apple—"wants to meet with you Friday," he said. It was Thursday morning. "About what?" I asked. "I don't know, do your virtual thing." I booked the 9pm flight to San Francisco and the redeye home.

Meanwhile, I was on the phone all day with the banking team to help create "the book." No investment banker worth his salt shows up without a spiral-bound pitch book put together by lowly associates pulling all-nighters, with strategy ideas and suggested transactions (investment bankers' payday!) to solve the company's future problems.

If anything, traditional media drives conformity, whereas social networks at least allow freedom of expression. Somehow that's now inhumane?

Back then I was intrigued by companies organized in horizontal layers attacking vertical behemoths. IBM was a vertical giant and did everything from soup to nuts: chips, hardware, operating system, software, applications, services. They had 50 percent of the computer industry's revenue but 90 percent of its profits. They used FUD—fear, uncertainty, and doubt—to freeze out competitors.

But IBM was vulnerable. A loose horizontal confederation threatened its power: Intel processors, Microsoft's operating system, Western Digital hard drives, and Compaq hardware, along with Lotus, Adobe, and Microsoft applications, added up to a "Virtual IBM" and eventually toppled the giant. The same thing happened in the late 1990s with AT&T. A horizontal internet of network equipment, browsers, and websites created a Virtual AT&T and toppled the vertically integrated telecom.

The team met with Sculley, along with his chief financial officer along and general counsel, and I got to make the pitch. I recently dug up my dusty copy of that pitch book to remember what I said. Apple had "superior software and ergonomic hardware design" but needed to "focus on mobility as a natural offspring of smaller

form-factor computing.” Not bad, in hindsight, though a decade early.

But Apple’s stock, at 14 times earnings, was valued like commodity PC maker Compaq instead of software and platform company Microsoft, with its 26-times multiple.

So the strategy was to create—you guessed it—a “Virtual Microsoft.” I advised the execs to “neutralize Microsoft’s strengths” but then attack new markets (“mobile, digital media, TV, education and entertainment,” I wrote) by joining with—or, better yet, acquiring—companies in the horizontal layers. That included Cisco, Novell, Oracle, WordPerfect, Borland, Adobe, Autodesk, Silicon Graphics, and AOL. Remember, most of these were pretty small companies back then.

Apple was worth \$7 billion back then, and now it’s \$1.5 trillion, with close to a quarter trillion in sales and maybe \$70 billion in operating profits. Not quite half of industry revenues or 90 percent of profits, but powerful nonetheless. Apple’s FUD is fanboys’ universal desires.

Well, what goes around comes around. At the most recent Worldwide Developer Conference, Apple

announced Apple Silicon, its own line of processors. With that, Apple finally closed the loop. It already makes its own graphics chips, operating system, applications, app store (with a 15 to 30 percent cut), cloud storage, Siri voice interface, maps, even mediocre TV shows—soup to nuts. Its phones, tablets, and Macs are world-class compared with, say, Google Maps, Spotify music streaming, TikTok video clips, or Dropbox cloud storage. Apple has become IBM, it’s become AT&T—a vertical giant waiting for a future David to come along with a horizontal slingshot.

If I were an investment banker today (Lord help me) I’d be running around pitching a Virtual Apple. Neutralize its strengths and then attack new markets. Apple is showing that it’s vulnerable by selling an iPhone SE for \$399, not \$999. Unit sales of iPhones and iPad peaked years ago. As the company runs out of new customers, growth is coming from adjacent markets like watches and earbuds, and from online services. And now the U.S. Justice Department is investigating its app store for abuse.

Will a Virtual Apple put together a collection of cloud services that capture the imagination of consumers? Or a robust social-media market—outside Facebook and Twitter

Apple has become IBM, it's become AT&T—a vertical giant waiting for a future David to come along with a horizontal slingshot.

there are scores, from Fortnite to Nextdoor. Will the next-gen consumer platform be speech, augmented reality, home automation? I’d bet on a cloud-based intelligent service that simply knows what we want and does it.

Remember, IBM didn’t fail overnight—it took decades. But its growth rolled over and the stock market eventually figured that out and cut off access to cheap capital. Apple is a machine. Its devices are sleek. But new phone features—like “Wind Down Mode” to help you get to sleep on time, and a watch that scolds you if you don’t wash your hands long enough—leave me underwhelmed. A Virtual Apple might beat it at its own game.

HYPOCRATIC LIGHT

As the crazy year known as 2020 comes to a close, we can be sure of, well, more craziness ahead. Technology doesn’t slow down even if the world is locked down and everyone works from home. If anything, new ideas pop into quarantined minds to solve remote work, school-less education, and online healthcare.

Technology has become the engine of global growth, but that doesn’t mean it can’t be derailed, no matter who takes over leadership around the world. Political stability can be lacking, meaning strange new ideas for social engineering end up dominating laws and economic discussions. The guiding light of profits is under attack as greedy. Technology providers from Facebook to Twitter to Google are harassed for being too big, only to have the solutions to that “problem” provided by big bad government. You can cut the hypocrisy with a knife.

Fortunately in a world of free markets, which actually still exist just enough to squeeze out progress, competition keeps corporations honest. The next surprise—the next world changing invention—can emerge from anywhere. New ideas are the lifeblood of growth and increasing living standards, and will take down our current corporate giants just as they crushed their predecessors. Government’s role is not to meddle, but to set the rules and then get out of the way. And then the fun begins. ●

TRUMP VS. BIDEN ON TAXES

A FORK IN THE ROAD

Grover Norquist

IN the United States, Republicans and Democrats disagree on many issues. But not every issue divides along party lines. Some elected Democrats supported President George W. Bush's wars in Afghanistan and Iraq. Some Republicans support legalized abortion. Some Democrats oppose gun control. But on the issue of taxation the two major political parties in the United States are internally united and in total opposition to each other. Every Republican will vote for tax cuts and against tax increases. Every Democrat will support tax increases and opposes tax reduction.

That was not always the case. In 1964, the tax cut proposed by President John F. Kennedy—to reduce personal and corporate income taxes across the board—was enacted with bipartisan support, but interestingly, “Mr. Conservative Republican” Senator Barry Goldwater

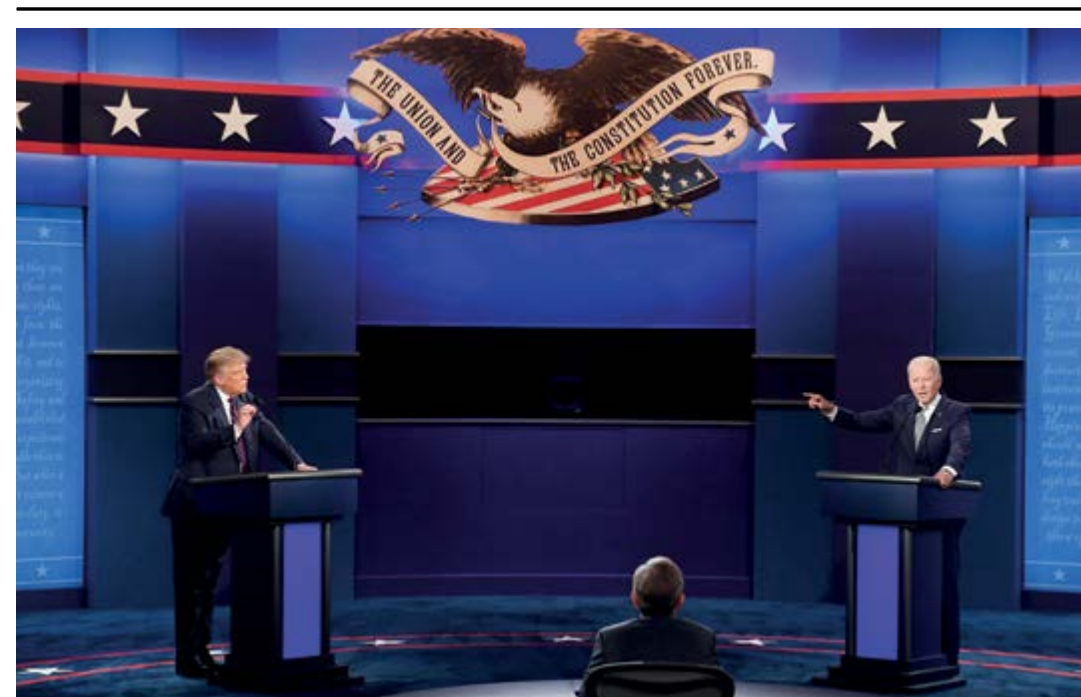
voted “no.” In 1978, Republicans and Democrats joined to pass a cut in the capital gains tax over the objections of the Democrat president Jimmy Carter.

In 1981, 25 Democrats joined the Republicans in the Senate to pass the Reagan tax cuts that, like Kennedy's legislation, reduced tax rates for all Americans. And in 1982 Democrats were joined by Republican Senate leader Bob Dole in demanding tax hikes to reduce the deficit and many Republicans in the House and Senate voted yes.

And in 1986, President Ronald Reagan and the Democrat-controlled House and Republican-controlled Senate enacted a revenue neutral tax bill that cut rates and eliminated many deductions and credits.

In short, taxes were cut with bipartisan support, taxes were raised with bipartisan

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Candidates Trump and Biden debating taxes during the first presidential debate in Cleveland, Ohio, in late September 2020

support, and taxes were dramatically reformed with bipartisan support.

That era is now over.

If Joe Biden is elected president with a Democrat House and Senate (today Democrats control the House and the Republicans control the Senate) taxes would increase by \$4 trillion over the next decade—that's \$400 billion dollars a year. Biden has also endorsed spending plans of more than \$11 trillion over the next decade.

Biden has repeatedly stated that he would repeal the entire Tax Cuts

& Jobs Act—the \$1.9 trillion tax cut Trump enacted with only Republican votes—“on Day One.” He threatens to impose or increase a host of other tax hikes, some of which are deliberately less clearly stated.

THE TRUMP 2017 TAX CUT

Let's first look at the Trump tax cut signed into law in December 2017. It shows Republican priorities that would likely be continued and deepened should Trump be re-elected with a Republican House and Senate. Conversely, by understanding the Trump tax cuts, we understand the size and structure of the tax

increase Democrats would be enacting if, as promised, they repeal the Trump tax cuts.

Today, the U.S. federal government collects both a personal income tax and a corporate income tax. Both were reformed and reduced by the Trump tax cuts. For many years, however, the United States had neither a corporate nor personal income tax. A personal income tax was briefly imposed during the Civil War. After the war ended, the personal income tax was repealed.

In 1894 Congress voted to reestablish the personal income tax but in 1895 the Supreme Court ruled it was not allowed by the Constitution, which clearly and strictly limits the taxation powers of the national government. It required a constitutional amendment to give the federal government the power to tax incomes. Then Congress voted the specifics of the tax.

Let's look first at the changes the Trump tax cut made to taxation of corporate income.

The American corporate tax rate was 35 percent when Trump was elected. The American tax rate on corporate income was the highest in the world. It damaged our ability to compete in the world market.

Compare the American 35 percent tax rate to China's 25 percent, or the UK's, which is set at 19 percent. Japan's rate had been 40 percent a few years earlier, but was reduced to 23 percent.

The original goal of Congressional Republicans was to reduce the 35 percent corporate rate to 25 percent. Some Democrats had in the past said they would be willing to reduce the rate to 28 percent, but only if business taxes were increased elsewhere to

make the change a tax hike.

During the 2016 presidential campaign, Trump endorsed the House Republican tax proposal but argued for a top corporate rate of 15 percent rather than 25 percent. House Republicans countered by moving their goal to 20 percent. All this before the election that brought Trump to power.

Let's first look at the Trump tax cut signed into law in December 2017. It shows Republican priorities that would likely be continued and deepened should Trump be re-elected with a Republican House and Senate. Conversely, by understanding the Trump tax cuts, we understand the size and structure of the tax increase Democrats would be enacting if, as promised, they repeal the Trump tax cuts.

The final legislation moved the corporate rate from 35 percent—the highest in the world—to 21 percent, lower than most large economies and below the average for Europe. Still Ireland's corporate rate remains at 12.5 percent, Hungary at 9 percent, and Canada at 15 percent.

WORLDWIDE VS TERRITORIAL TAXATION

The Trump tax cut also removed a second surprisingly anti-competitive tax policy—again, the first being the 35 percent rate that put America in the “worst in class” position—namely America's worldwide system of taxation. Almost all other nations tax economic activity within their borders but not economic activity by their citizens or companies in other nations. Before the Trump tax cut, the profits earned by an American firm operating in France would first be taxed in France at French rates and then again when and if profits were repatriated back to the United States.

The Trump reform in essence moved the United States to a “territorial” tax system whereby American firms pay the full American corporate rate on earnings in the United States and are not double taxed on earnings overseas. And most of the earnings accumulated overseas over the years would be allowed to return without a penalty tax. When the bill

passed there were more than \$2 trillion in American corporate earnings “locked” overseas. Those earnings all became available to return to the United States penalty-free.

Unfortunately, while many in Congress wanted to treat the nine million Americans living abroad the same way we now treat U.S. companies—taxing only income earned in America and not levying U.S. federal taxes on earnings from abroad—that reform was not in the final package.

Republicans are determined to reform the personal income tax treatment of Americans working overseas in the next round of Republican tax reform.

FULL EXPENSING AND PERSONAL DEDUCTIONS

Some economists argue that the corporate tax rate cut—as powerful an engine of growth as it is—was not as important as moving from the depreciation of capital assets like factories, equipment, and machines to immediate expensing. This allows a company to buy a million-dollar machine and expense that capital investment today. The previous rule was that you could deduct \$100,000 each year for ten years. The time value of money makes a million-dollar expense in year one much greater than the long, strung out deduction of the same million dollars over ten or twenty years.

Because of budget constraints (fear of deficits), Congress and the president limited the expensing rule to five years. Pro-growth economists and political leaders very much hope to extend expensing and to make it permanent.

Federal taxation of individuals' incomes was also dramatically reduced by the Trump-Republican tax cuts.

The standard deduction, the amount of money an American can earn without paying any income tax was increased from \$6,000 for an individual to \$12,000 and for a married couple from \$12,000 to \$24,000. This was a significant tax cut for individuals and families, and it greatly simplified the tax code. In the past one had to keep all receipts in order to claim deductions. Now over 85 percent of households use the new higher standard deduction and need not file all that paperwork.

Personal tax rates for Americans in all seven tax brackets were reduced and the top income tax rate was reduced from 39.6 percent to 37 percent.

Before the Trump tax cut, parents received a tax credit: a direct reduction in taxes owed of \$1,000 for each child under the age of 18. That tax credit was increased to \$2,000 and expanded to parents with incomes up to \$400,000 so that while only 22 million families

received the child tax credits under President Barack Obama, now 37 million households received such tax credits. The tax code became much more family friendly.

DEATH TAX & ABOLISHING SALT

The death tax—the tax on homes, bank accounts, property, and stocks that you own when you die—was first imposed during the Civil War. It was then repealed only to be reimposed to pay for World War I. While 70 percent of Americans tell pollsters that they would like the death tax fully repealed it has been in place since World War I, disappearing for just one year as a result of the temporary George W. Bush tax cuts.

The Trump tax cut reduced the death tax imposed on one's life savings at death. The amount of money one can leave for one's children tax free was increased from \$5.5 to \$11 million.

One economically and politically significant change was to end the tax deductibility of state and local taxes (SALT). Before the Trump tax cuts, a taxpayer in a very high tax city, say New York City, in a very high tax state, namely New York, could deduct his state income taxes and his city property taxes from his taxable income. With a top federal income tax rate of 39.6 percent, this meant that high state and local taxes appeared less painful. Since

the federal government was going to seize almost 40 percent of your earnings anyway, if the state and local government took a big bite, your actual cost of high state and local taxes was reduced by the 40 percent you would have lost anyway. It was a subsidy for high taxes on high income tax earners.

This change raises about \$60 billion a year and was largely paid by high income earners in Democrat-controlled states and cities. Even before this change, there had been a noticeable emigration away from high "tax and spend" states—usually controlled by Democrats—such as New York, California, and New Jersey and towards low tax states like Texas, Florida, and Tennessee. In 2016, for example, 600,000 Americans moved from the highest taxed states to the lowest taxed states.

Nine states have no state income tax. They are: Florida, Tennessee, Texas, South Dakota, Alaska, Wyoming, Oregon, New Hampshire, and Nevada. Eliminating the tax deductibility of state income taxes in calculating taxable income at the federal level has *no* effect on those states. But taxpayers in expensive cities in high tax states—e.g. San Francisco and New York City—saw some of the tax cut they received in the total tax reform legislation clawed back by the elimination of the deductibility of State and Local Taxes.

The state governors of New York and New Jersey have decried the increase in wealthy citizens leaving their states and denying their states the tax revenue they once were willing to pay. Joe Biden, whose political support comes from large and highly taxed cities in deep Blue (Democrat) states has said that he plans to restore that deductibility. This reform not only raised money to "pay for" rate reductions, but is a powerful force limiting the ability of mayors and governors from raising taxes on high income earners because they now feel every penny of any tax hike. And with months of the COVID-19 shutdown in 2020, such taxpayers have found that they can work at home from any state—perhaps one with no income tax.

OBAMACARE AND TRICKLE-DOWN TAXATION

In 2009, the Obama Administration wanted to force everyone into their health care plan known as "Obamacare." It was not clear that the Constitution allowed the federal government to impose such a mandate so they put a tax, a penalty, on those who did not choose to buy the government's offered health care.

The plan was not a good deal for millions of Americans. It was expensive. To force citizens to join Obamacare they imposed an Obamacare tax penalty of \$695 per person. Or \$2,085 for a family of four. This tax hit 5 million Americans

per year. Three quarters of them earned less than \$50,000.

The Trump tax bill took this penalty to zero. Biden has at least twice now said before television cameras that he'd would reimpose that tax on middle-and lower-income citizens.

The Trump tax cut also eliminated most of the Alternative Minimum Tax (AMT). This was a tax enacted in 1969 supposedly targeting 155 Americans who paid little in taxes because they invested in tax-free municipal bonds. By 2000 the AMT was hitting 600,000 Americans. If it was not reduced it would have gone on to hit 30 million Americans by 2010. Now it is gone for all except 200,000 households.

The AMT is an example of "trickle down taxation." Advocates of higher taxes demand a new tax because of an "emergency" (say a war or recession) and promise it will only hit "the rich." You are supposed to believe this means, "not you." Then over time inflation pushes more and more Americans into the target zone of being "rich."

In 1898 Congress passed a tax on long distance phone bills. This at a time when few Americans had phones and

long distance was a luxury. The reason: the war with Spain. So the tax was to be temporary—the war would end. And it was only on the few, the rich. But over time all Americans had phones and long-distance calls were common, not

rare. And while the war ended, taxes on the rich spread out to everyone and lasted more than 100 years. The federal income tax began in 1916 with a top rate of 7 percent. Now the bottom rate is 10 percent. And now half of households pay federal income taxes.

The AMT was just another "tax the rich first" ploy, and Biden has promised to restore it.

DIFFERING EXPLANATIONS

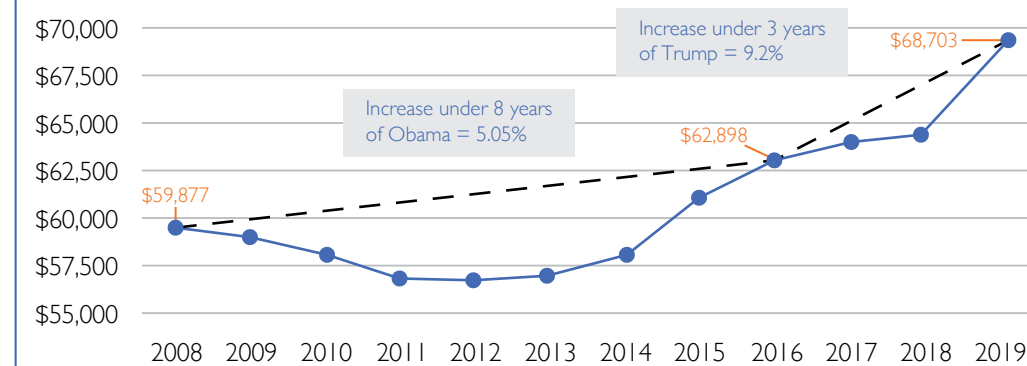
So how will taxation play out in November's presidential and congressional election? How do Trump and Biden explain the last four years?

The argument for Trump is that his tax cuts, deregulation measures, and judges who self-limit their power has led to higher wages, more jobs, and greater life savings for Americans.

The Obama/Biden recovery from July 2009 through the 2016 election was the weakest recovery since World War II. This is to be contrasted to Ronald

From Election Day in 2016 to the week COVID-19 hit in early 2020, the S&P 500 stock exchange rose 56 percent. Total employment rose by almost seven million. Unemployment fell from 4.7 percent to 3.5 percent.

Growth in Median Household Income



Source: Census Bureau

Median household income has grown by 9.2% in the first three years of the Trump Administration, nearly double the 5% wage growth under the Obama Administration's entire eight years in office

Reagan's recovery in jobs, income, gross national product, which was the strongest recovery.

On the day Trump defeated Hillary Clinton the economy reacted to the anticipated new Trump tax and regulatory policies. From Election Day in 2016 to the week COVID-19 hit in early 2020, the S&P 500 stock exchange rose 56 percent. Total employment rose by almost seven million. Unemployment fell from 4.7 percent to 3.5 percent.

Rebutting criticism from the Left: one notes that unemployment for black Americans hit a 50-year low of 5.8 percent. Hispanic unemployment fell to 3.9 percent and unemployment among women fell to 3.1 percent.

The median income for families grew by 6.8 percent from 2018 to 2019, the first year of the tax cut. That competes with only 5 percent growth in median income for the eight years of the Obama/Biden presidency.

LOWERING UTILITY PRICES & JOB CREATION

The corporate tax cut directly lowered utility bills paid by Americans. Electricity, water, and gas bills for households and businesses went down in all 50 states. Utility companies pay the corporate rate, and when the rate is reduced, the savings are passed along to consumers. Biden wants to raise the corporate tax, which would impose higher utility prices and hurt struggling households and small businesses operating on a tight margin.

The organization I lead, Americans for Tax Reform, has collected over 1,200 in-their-own words examples of good news arising from the Tax Cuts and Jobs Act. These are employers of all sizes around the country hiring new employees, raising employee pay, purchasing new equipment, and expanding operations.

Anfinson Farm Store in Cushing, Iowa—a century-old business—was able to give employees a \$1,000 bonus and a 5 percent salary increase. Rockford Ball Screw in Illinois hired 25 new employees and expanded their facilities by 30,000 feet. Industrial Weldors & Machinists in Minnesota hired new employees and invested in employee pensions. Glier’s Meats in Kentucky increased employee wages, hire new employees, purchase new equipment, and increase employee benefit packages.

Although Americans do not often hear about it from the media, large corporations also increased pay and benefits. For example, Walmart and Lowes increased employee pay and bonuses but also created a \$5,000 adoption benefit. For any employee incurring costs from an adoption, the companies will provide \$5,000 to help cover the cost.

McDonald’s expanded a program to help 400,000 employees pay for college

and trade school. For any employee working just 15 hours per week, the company will pay \$2,500 toward tuition and educational expenses.

When COVID-19 hit America 20 million jobs were lost and the stock market fell, but not as far down as when Obama and Biden were in charge of the U.S. economy.

The tax cut package also reduced taxes on craft beer, wine, and spirits makers. This has furthered the American craft beverage renaissance as thousands of local facilities add new jobs and public social spaces in their communities.

For example, Sugarlands Distilling Company in Tennessee was able to build a large new distillery and barrel house, hire new employees and purchase \$2 million of new equipment. Market Garden Brewery in Cleveland said the tax cuts caused “several million dollars of investment in our facility as well as the creation of a large number of full-time positions.” Alexander Valley Vineyards in California said the tax cuts caused “an incredible boost for our industry and this extension allows us to continue investing in our wineries by buying new equipment, remodeling tasting rooms, hiring new employees and more.”

OPPORTUNITY ZONES

The tax cuts also created Opportunity Zones which provide capital gains tax relief for those who invest long term in economically distressed

IRS Data: Middle Class Americans Saw Biggest Tax Reduction from Trump Tax Cuts

Adjusted Gross Income	Percent reduction in federal tax liability from 2017 to 2018	Average federal tax liability per filer in 2017	Average federal tax liability per filer in 2018
\$25,000 to \$49,999	12,1%	\$2,717.94	\$2,387.99
\$50,000 to \$74,999	13,2%	\$5,746.61	\$4,986.85
\$75,000 to \$99,999	13,6%	\$9,099.02	\$7,861.97
\$100,000 to \$199,999	10,8%	\$18,079.55	\$16,128.06
\$200,000 to \$499,999	12,6%	\$57,209.97	\$50,000.22
\$500,000 to \$999,999	8,8%	\$178,242.55	\$162,621.69
\$1,000,000+	5,8%	\$935,789.09	\$881,821.18

Americans with incomes between \$50,000 and \$100,000 saw their tax liability drop by twice as much as Americans with income above \$1 million

areas. Governors of each state were given the authority to designate the specific areas. The Zones are creating job and opportunities, revitalizing neighborhoods, and bringing much-needed services to communities.

And the economic growth unleashed by the tax reduction was not simply some worldwide period of growth. The chart below shows that the United States was the only nation to grow more than 2 percent a year in both 2018 and 2019.

The media and left always say the tax cuts were for “the rich.” That was always

false but now we have official IRS data to show middle income households received a bigger tax cut than “the rich” did. Americans with an income of \$50,000 to \$74,999 saw a 13.2 percent reduction in average tax liabilities between 2017 and 2018. Americans with an income of \$1 million or above saw a 5.8 percent reduction in average federal tax liability between 2017 and 2018, less than half the tax cut seen by Americans making between \$50,000 and \$100,000.

When COVID-19 hit America 20 million jobs were lost and the stock market fell, but not as far down

Source: ATR calculations using IRS 2017 Statistics of Income Data

Annual Real GDP Growth of G7 countries

	2018	2019
Canada	2%	1.6%
France	1.7%	1.3%
Germany	1.5%	0.6%
Italy	0.8%	0.3%
Japan	0.3%	0.7%
U.S	2.9%	2.3%
U.K	1.3%	1.4%

Source: IMF data

The United States was the only G7 country to record GDP growth above 2% in either 2018 or 2019

as when Obama and Biden were in charge of the U.S. economy. Thus the Trump campaign has pointed out that Biden was and would be worse for the health of the average American's life savings than COVID-19. In less than six months, half of those jobs have been restored and the stock market is back close to its pre-pandemic heights.

It is interesting that polls (Rasmussen) show that 49 percent report that they are better off today than they were four years ago. An amazing number given that many states remain under partial lockdown in response to COVID-19. The underlying strength of the American economy is showing through the coronavirus fog.

The Biden argument is that the benefits of the tax cut went solely to the few rich: the so-called "one percent." To do this he has to ignore the growth in

jobs and income and the damage done by the COVID-19 lockdown.

Note that in the chart below that the bottom 25 percent of income earners saw their income increase more than the top 25 percent—reversing the Obama period when the rich gained more ground than the middle class.

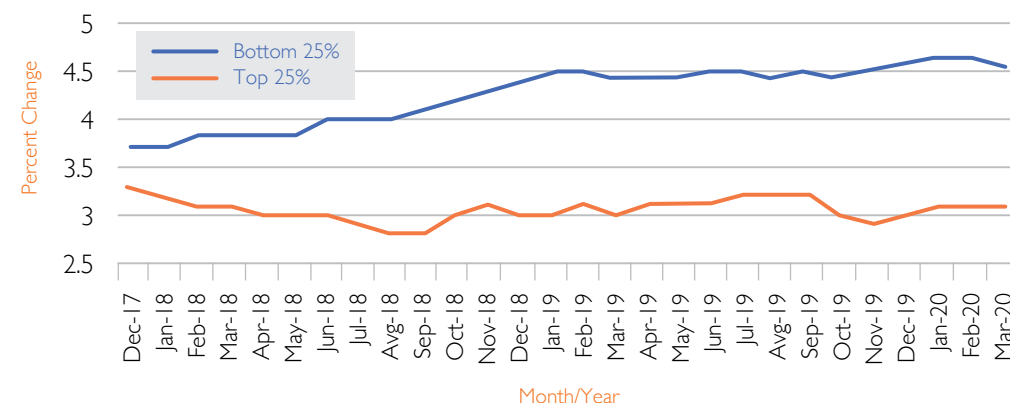
BIDEN TAX RAISE

Should Biden win and be joined by a Democrat-majority Congress and Senate, he has said that he would repeal the entire Trump tax cut "on day one." What would that do? For the median income family of four earning \$70,000 a year it would raise their taxes by \$2,000 each year. For a single parent with one child, the tax hike would be \$1,300. Five million Americans would be hit with the \$695 per person Obamacare individual mandate tax.

Those are powerful numbers, but they miss something big that has changed. While the politics of envy and hatred towards the "one percent" may once have been good politics, there is today a new and awakened voting constituency: namely, those whose life savings are in a 401K, Individual Retirement Account, or defined contribution pension.

These savings vehicles were created in the 1970s and have grown from 19 million in 1990 to more than 100 million today. One hundred million adults in

Comparison of Average Annual Wage Growth of Top 25% and Bottom 25% of Households



Source: Atlanta Fed

The bottom 25% of households have seen their incomes grow faster than the top 25% of households since Trump's tax cuts were signed into law.

a nation with a total population of 330 million is not exactly the "one percent." But every tax hike proposed by Biden would reduce the value of Americans' life savings. Every regulation hurts the average American's IRA or 401K.

Those 100 million Americans know how much their life savings have increased since Trump became president. They know how their savings fell in value at the start of COVID-19, and now how they have already rebounded. The Trump campaign's goal is to highlight this progress and make it clear it will be taken away by a Biden presidency.

Simply put, the emerging investor class—"the 401K vote"—is the antidote

or vaccine against the virus of the politics of envy.

Now, Biden has said that he would never raise any tax on any American earning less than \$400,000. But this means less than he tries to convey. He views all taxes on corporations as being paid for by "the rich," although we have seen how 100 million Americans and their families would be damaged as their life savings in a 401K would decline.

And Biden pretends that a carbon tax or tax on energy would somehow be paid by oil companies rather than by every American who fills up his gas tank, buys home heating oil for the winter, and electricity for air conditioning in the summer.

But there is another reason we know he has no intention of protecting Americans earning less than \$400,000. He has played this game before. He told the same lie in 2008 when with Obama he promised he would never raise any tax on anyone earning less than \$250,000. He then went on to create the Obamacare individual mandate tax on lower income Americans, and a series of such taxes to pay for Obamacare on the backs of the middle class.

Simply put, the emerging investor class—"the 401K vote"—is the antidote or vaccine against the virus of the politics of envy.

And one need only to look at Europe with its draconian energy taxes to see what happens to the cost of gasoline for cars, energy for manufacturing plants, and transportation costs. Any broad-based energy tax in the United States is understood to be the first step towards a Value Added Tax, which falls heavily on middle- and lower-income taxpayers. Two sayings in the U.S. make the point: "VAT is a French word for big government;" and "a carbon tax is a VAT on training wheels."

THREE POSSIBLE OUTCOMES

There are three possible outcomes for the day after the November 2020 elections. They are, one: Trump wins re-election with a Republican House and Senate; two: Biden wins the White House with a Democrat-majority House and Senate; or three: divided

government, with no party controlling the White House and both houses of Congress.

With regards to the first, the relevant comment is that a Republican Senate would put American back on track to continue the work of the 2017 tax cut. The personal income tax cuts that were passed have a ten-year expiration date. Those tax cuts would be made permanent. Congress will end the

double taxation of Americans living abroad. There will be no energy tax imposed. Capital gains taxes would be indexed such that the increased value in a house, stock, or land attributable to inflation would not be taxes. Only real gains would be taxed. For stocks that would translate to a 40 percent cut in the capital gains tax rate. And the expensing of new investment would be extended and/or made permanent. Some Republicans have called for enacting a zero capital gains tax rate for any strategic minerals stored in the continental United States.

A Democrat sweep—the second possible outcome—would end the Trump tax cuts and impose across the board tax increases. It would add an energy tax atop everything else. Biden has made private promises to the "Green New Deal" advocates that he refuses

to discuss publicly. Taxes on air travel? A tax on stock transfers? Higher death taxes?

Divided government—the third possible outcome—would mean no tax hike or tax cut for the next two to four years. There would be great pressure against new spending. During the Obama years spending fell from 24 percent of GDP to 20 percent of GDP as Republicans who had signed the Taxpayer Protection Pledge, a written commitment to

oppose and vote against any tax hike. Republicans held their ground and stopped any tax hike and Obama had to give up on \$2 trillion in spending he had wished to impose. If Republicans hold 51 Senate seats, they would be able to stop the Democrats from stacking the Supreme Court by adding more members and stop the Democrats from adding new Democrat Senators by turning the federal district of Washington D.C. into a state. Then the contest continues in 2022 and 2024. ●



REVIVAL AND RESILIENCE

THE CASE FOR A NEW SOCIAL CONTRACT IN AMERICA

Neera Tanden

EVERY 80 years or so, America faces a crisis that reshapes our government, our economy, and our society. The Civil War came 74 years after our Founding and was fought over the nation's original, disastrous decision on slavery and race. 70 years later, the country faced the Great Depression, a crisis that ravaged our economy and was redressed by Franklin D. Roosevelt's New Deal, which reshaped domestic economic relations and created a strong national government for the first time.

Now, 87 years on, the United States is facing two pandemics. One arrived on U.S. shores at the beginning of the year and—in a matter of weeks—radically altered our country. More than 223,000 Americans have died as a result, with millions more facing unemployment and economic uncertainty. The other has long been the ugliest feature of American society, and in the past few

months has received the spotlight it rightly deserves. Racial inequity has blighted America since our nation's birth, but the murders of George Floyd, Breonna Taylor, and countless other Black Americans—combined with the disproportionate impact of the COVID-19 pandemic on people of color—has made the magnitude of the injustice all the more apparent. Racial inequity is deeply embedded in the American way of life.

When it comes to a long overdue restructuring of our economic and social order, America is at a crossroads. We have the opportunity now to address COVID-19 and the massive economic dislocation it has created in a way that creates fundamental fairness and justice for all Americans, including people of color who have been too often left behind. The manner by which we address these problems can profoundly reduce structural inequalities.

Neera Tanden is President and CEO of the Center for American Progress and a former Director of Domestic Policy of the Obama-Biden presidential campaign. Parts of this essay were published in earlier form in Democracy Journal in June 2020. You may follow her on Twitter @neeratanden.



In signing the Affordable Care Act in 2010, Obama laid the foundation for a new social contract

SHARED FATE

What is unique about the COVID-19 pandemic is the specific way in which the virus ties our fates together. A single carrier can infect dozens, perhaps hundreds, and can do so when she or he is asymptomatic. That means each of us can be affected by the decisions of any single person. Someone who contracts the virus and chooses to self-isolate can stop the spread. Equally, someone who chooses to interact with others even when sick can ensure the virus continues to transmit. Each transmission can drive an outbreak. Our response to this virus, therefore, is only as strong as our weakest link. It

binds our fates together, more so than any economic or natural disaster.

By extension, our health-care system is also only as effective as the care it provides for our most vulnerable people, and our national response is only as effective as the states that take the least government action. Radical individualism doesn't work during a pandemic because when people in states like Texas or Florida do not adhere to guidelines and outbreaks develop, it takes all of us much longer to recover.

At the same time, the reality of the virus has exposed massive economic and racial inequalities in

our society—from who can get a test to who is forced to go to work through the pandemic. It has exposed the moral distortions of a market system that so little values those who provide vital services in a crisis. Grocery store workers, nurses, caregivers, food plant workers—these roles are valued least in our society; they are subject to low pay, and they are also disproportionately carried out by people of color. As a result, it comes as no surprise that Black and Latinx Americans have been hospitalized at a rate of almost five times more than that of their white counterparts, according to recent CDC figures. This virus has shone a harsh light on the structural inequalities people of color face in the healthcare and economic systems, and it makes it painfully clear why these communities find themselves in a more precarious position as a result of the virus.

To exit from this crisis, we need to fix the broken parts. And to fix what is broken and rebuild stronger than before, we need a new social contract for the twenty-first century, one that updates the New Deal, and one that includes all Americans. It is high time to rethink the relationship—the basic bargain—between the individual, companies, and our government.

ORIGINS OF THE OLD SOCIAL CONTRACT

Prior to the Great Depression in 1929, the U.S. economy was an exemplar of laissez-faire economic organization. Almost all social and employment risks were borne by the individual. If a worker was injured at work, she bore the cost of that injury. If a senior citizen was no longer able to work and had no savings, she would be left destitute. For many, it meant hunger and impoverishment.

When it comes to a long overdue restructuring of our economic and social order, America is at a crossroads.

The subsequent New Deal reordered that relationship to shift away from individual risk and, instead, toward shared risk. It also redefined the relationship between individuals and the federal government by creating work-related social insurance, and between the federal government and businesses by expanding federal regulatory authority.

These changes were further developed during and after World War II and had a profound and continuing economic impact. Between 1950 and 1980, the share of income flowing to the top decile of the income distribution dropped by 10 percentage points. Around 1980, however, we saw a cutback on shared risk with the rise of market fundamentalism. Distribution of income and wealth reverted to

1930s levels. The one key expanse of shared risk since the 1980s has been the Affordable Care Act, which provided health insurance to millions of Americans, the largest expansion since Lyndon B. Johnson's passage of Medicare and Medicaid in the 1960s. Yet many Americans still have no health insurance; and millions more have no access to paid leave. If they get sick, they risk impoverishment from medical bills or the loss of pay. Yet what makes the experience of the coronavirus pandemic different is that when someone bears that risk alone we all end up worse off.

That is why it is urgent to rethink our social contract for the twenty-first century so that we can reduce risks and ensure greater safety in the long run. We must rethink the roles and responsibilities of workers, employers, and the government. If we do, we can foster safety, security, and long-term prosperity so that each American gets a better, fairer deal.

A NEW SOCIAL CONTRACT FOR COMPANIES

For decades, the dominant ethos of American companies has been the theory of shareholder supremacy:

the notion that returning value to shareholders, who are often global, is the sole purpose of the firm. Indeed, this became a legal standard in the 1980s for companies chartered in Delaware. Companies have openly

What is unique about the COVID-19 pandemic is the specific way in which the virus ties our fates together and has exposed the moral distortions of a market system that so little values those who provide vital services in a crisis.

argued that their goal is not to help the country that made their profits possible, but instead to return value to shareholders. This has led to the rise of stock buybacks, a practice whereby companies buy their own shares to reduce those available on the open market and, in doing so, cause the stock price to soar. The

practice has become so widespread that, after the massive tax cuts in 2017, companies did not invest or build their reserves (for a time like now), but instead bought their own stocks to inflate the price for shareholders.

Shareholders bear both the risk and the reward of their investment in a company. They argue, therefore, that they, and not the workers, should get the profits. The theory goes that all this is legitimate because the company itself, in fact, exists for shareholders, and therefore has no responsibility to its workers, its consumers or—heaven forbid—the country in which it resides.

But in the sweep of mere days of the pandemic, the idea that companies exist for shareholders and that they alone bear the risk was completely undone. All of a sudden, the United States was bankrolling a half-a-trillion-dollar fund for major businesses. Why? Because we as a country couldn't let these companies go under. American taxpayers became the underwriter for American business. And since then, the Republican-controlled Senate has sought to protect those companies at the expense of their workers. In their proposed legislation—the perversely named “HEALS Act”—they pushed for corporate immunity from employee lawsuits related to COVID-19, while at the same time reducing unemployment insurance.

What this lays bare is the one-way relationship that American corporations have with America. When it's good for them, they are global companies whose sole responsibility is toward their shareholders. But in more dire times—when they need a bailout—they suddenly become all-American companies in need of all-American support, often at the expense of their workers. And that is why we must rewrite the rules to redress this one-way relationship: if American taxpayers can bail out

American companies, then American companies can consider the needs of their employees and communities, not their shareholders alone.

Instead of maximizing shareholder value, companies need to rewrite their corporate charters so they

In the sweep of mere days of the pandemic, the idea that companies exist for shareholders and that they alone bear the risk was completely undone.

value more stakeholders. In other words, let's reform corporate governance so that the mission of companies is to focus on workers and their communities, as well as shareholders. Senator Elizabeth

Warren has proposed an Office of United States Corporations within the Department of Commerce. She would require any corporation with revenue over \$1 billion—only a few thousand companies, but a large enough share of overall employment and economic activity—to obtain a federal charter of corporate citizenship.

This charter would tell company directors to consider the interests of all relevant stakeholders—shareholders, but also customers, employees, and the communities in which the company operates. This would shift the role of companies away from shareholder-focused entities to organizations with some responsibility to the country and its citizens who provide them with so many benefits. A company

that focuses beyond its shareholders to its employers and community is more likely to think of its workers as critical assets rather than disposable costs. It is also more likely to hold on to its employees longer, perhaps increase wages rather than cut them, and as a result strengthen the standing of communities and families across the country.

It's also important to address the level of taxes that companies currently pay. Corporate tax has fallen from more than a third of the federal revenue in 1945 to just 6 percent in 2018. Trump's radical cut to corporate taxes in 2017 was the most recent hammer-blow to exacerbate that decline. Therefore, if we are to raise taxes to pay for new social programs going forward, the first in line to pay a larger share should be companies that got a massive tax break so recently.

UNIVERSAL BENEFITS

Unlike most industrialized countries, the United States stands alone in not ensuring that all its citizens have health insurance coverage, paid leave, and access to paid sick days. In our country, for the most part, these benefits are options that large employers often offer; but they are not required. That changed to some degree

with the passage of the Affordable Care Act in 2010. Now, millions more people get health-care insurance even when their employers don't offer it.

Nevertheless, despite the progress that has been made, the nation's lowest paid workers are the least likely

If we are to raise taxes to pay for new social programs going forward, the first in line to pay a larger share should be companies that got a massive tax break so recently.

to benefit from those supports. Those workers are more likely to be people of color and women. We live in an upside down society where the highest paid workers get important benefits like generous health insurance and

paid leave—and the lowest paid employees get none.

The coronavirus makes this system not just immoral, but dangerous. Lower wage workers who don't have access to paid leave or sick days are likely to be forced into making a decision between their health and economic hardship. However, given the nature of this virus, each decision doesn't only affect that person. It affects dozens of people, and possibly hundreds—or even thousands.

When one person at a meat packing plant goes to work sick, he can infect everyone at the plant. And when everyone at that plant is sick, they can infect the food supply chain. This is

the risk we all share when we place the onus on the individual during a pandemic, but it's a risk that most directly impacts certain communities. As mentioned above, essential workers are disproportionately people of color; they are the ones often operating at the heart of our essential infrastructure, without access to adequate health-care or paid sick leave. And it is that structural inequity that means for risk to reach all corners of society, it likely will first permeate in these communities.

That is why, in the face COVID-19, it is time for the United States to ensure that everyone has health-care coverage, paid leave, and sick days. We can do this in ways that respect the choice and pragmatism of the American system. Nevertheless, such a system can ensure that all workers get to see a doctor when they are sick, that they can stay home when they have symptoms consistent with COVID-19, and that they experience no economic penalty when they put their health and the health of other Americans first.

We have the ability to provide health-care coverage to all Americans, while at the same time ensuring that people can keep private insurance through their employer if they wish.

In the face COVID-19, it is time for the United States to ensure that everyone has health-care coverage, paid leave, and sick days.

The way forward is Medicare Extra, a program that would set up a public insurance option via Medicare that would provide much more affordable healthcare, with coverage for dental, hearing, and vision, all with no deductibles and minimal copays. The plan would achieve universal coverage, be open to anyone, and would incorporate the ACA and other individual coverage. It would also allow people who work for large employers to keep their coverage if they chose to do so. For those who are uninsured, as well as those who are currently purchasing insurance through the Obamacare marketplaces, or who are Medicaid beneficiaries or newborns, they would automatically be enrolled in an improved Medicare program, one that would continue to cover seniors as well. And this system could be put in place for a fraction of the cost of Medicare for All.

But addressing direct health-care provisions is only part of the battle when it comes to workplace benefits. During a pandemic, we all have an interest in people not working when they are sick. Yet the opportunity to stay home and recover is a lot easier if you have access to paid sick leave—a benefit that 24 percent of U.S. civilian workers, or roughly 33.6 million people, do not

have, according to the federal Bureau of Labor Statistics.

This is why we need universal paid leave in the United States. The temporary paid leave proposed in the HEROES Act that passed in the House represents a start, but the magnitude of this pandemic demonstrates that if we want to protect all Americans in the future, we need to make this permanent. We should ensure paid time off for all workers to care for themselves or a sick relative. The same, of course, goes for the birth of a newborn or for an adopted child. This is also critical to ensure that, during a pandemic, people who are sick quarantine themselves.

This proposed national paid leave program should apply to workers across the United States, regardless of their job or where they live. By doing so, we'll also redress the inequalities in a system where fewer workers of color have access to the security of paid leave than white workers do.

THE CARING ECONOMY

The virus can also reshape the social contract in terms of the kind of economic security we as a country offer every American. But it also must reshape the kinds of opportunity we offer them as well. We can do that

by changing the nature of the social contract so that the government has a real role in ensuring decent jobs for all Americans. At the beginning of the pandemic, Congress chose to supplement wages in the face of this crisis, but as we've seen the pandemic move from a short, urgent crisis to a longer catastrophe, stop-gap fixes have expired. Those in the Senate have refused to act with the urgency and the leadership this pandemic requires and, as a result, the economic situation for many Americans is getting worse. Therefore, we must fundamentally rethink our government's role in directly supporting jobs so that any future progress can be made permanent.

We must fundamentally rethink our government's role in directly supporting jobs so that any future progress can be made permanent.

At the time of writing (September 2020), the current unemployment rate is still over double what it was prior to the onset of the pandemic. The way out of this economic depression is to create a fair, just jobs agenda, and to ensure that critical infrastructure, such as schooling, child care, and healthcare are robust enough to withstand long-term challenges. That means investing in a range of jobs that will make our economic recovery more secure. And in the long term, it means ensuring we better prepare for—and avoid—future national catastrophes. Both areas of investment will ensure that we maintain

demand through our recovery, which is central to revitalizing an economy that still relies on domestic consumption for a majority of its economic activity and growth.

In other words, we must inject support in the right places. We need to ensure that Americans can live without fear of losing their homes or losing their savings, and that state and local governments have the resources to play their part. The HEROES Act that passed the House does a

comprehensive job in addressing those concerns. It maintains supplemental unemployment insurance of \$600 per week for Americans; it ensures a moratorium on small-business and non-profit debt collection; it provides for a moratorium on evictions and foreclosures; and it envisions a stimulus of almost \$1 trillion for state and local governments. In contrast, Senate Republicans have offered none of those provisions and, as a result, are gutting demand and economic recovery.

Their inaction is impeding a decline in unemployment and it stands in the way of intermediate goals that can support our economy and, in turn, support more Americans going back to work.

The way out of this economic depression is to create a fair, just jobs agenda, and to ensure that critical infrastructure, such as schooling, child care, and healthcare are robust enough to withstand long-term challenges.

The reopening of schools and childcare facilities, for example, are critical to ensuring that parents can work. But to safely do that, we must keep children more spread out; that means increasing staffing ratios by hir-

ing more teachers and more childcare workers per child. The same is true for long-term care facilities. To be safe, we need wider distances between seniors and staff. That means more space between workers and more staff per senior. Ultimately, it means hiring many more people in the caring economy.

Caring jobs in healthcare and child care are disproportionately performed by people of color and women; boosting investments in the caring economy will likely ensure we rebuild back more fairly for all Americans. And as we invest more in childcare and in our schools, more educators per child will also mean a higher quality educational experience for children, which can improve outcomes well into the future.

Unfortunately, in the short term, none of these measures have been put in place. The Senate and the White House have jumped the gun by encouraging institutions to re-open without the necessary safety

regulations in place. As a result, we have seen a resurgence in cases. We have witnessed college campuses and high schools open and close because of outbreaks. We have seen the American health and economic recovery not only stutter, but regress.

If we are really going to bring jobs back then we have to get the basics right. We have to invest in Americans, in our small businesses, and in our local and state governments, and we have to ensure that we have the parameters in place

so that schools and child care facilities—the gateway institutions to a fully thriving economy—can re-open safely and effectively.

We also have to ensure that the workers in the sectors that have been hardest hit have a robust recovery plan. While every sector has been hurt, the truth is that our economy is really in a service sector depression. So let's have a jobs plan focused on the service sector that brings people back into the workforce in a way that can ensure we are safe. After 9/11, we hired tens of thousands of transportation safety workers and created a whole new department to keep us safe. Now we have to think of another bold strategy for a new form of safety.

The first thing we must do is to hire 200,000 new health-care workers for testing and tracing through a new "National Health Service Corps."

The first thing we must do is to hire 200,000 new health-care workers for testing and tracing through a new "National Health Service Corps." We need to test 500,000 to a million people a day if we are going to effectively manage this virus over the long term, especially if, as many predict, it continues and grows

in the time ahead. New health personnel can contribute to testing on a massive scale and also do the detective work when it comes to contact tracing. As we've learned from previous outbreaks, contact tracing is a critical element of contain-

ing the virus; and with the large-scale racial disparity of virus impact—African Americans are over two times as likely to die from COVID-19 as whites—if we concentrate our hiring focus on those who come from communities hardest hit by the virus, then we can hire health personnel that have built-in relationships in these communities, stifling spread. Not only would such a program provide a vital frontline in combating the virus, it would put crucial paychecks in workers' hands, boosting demands for goods and services.

Second, we need a fleet of workers to ensure the safety of public spaces throughout the country. Many countries, including Israel, have been hiring staff to continually clean public transportation, public locations, and

frequently traveled locations. These workers ensuring our safety as we reopen through radically improving public sanitation deserve decent pay for the vital work they do.

DIRECTING DOMESTIC PRODUCTION

Job creation should, however, extend beyond those areas and address critical needs in production as well. During this crisis, Americans have experienced the vulnerability of a supply chain where market efficiencies have created too few producers of goods. For example, at one point near the beginning of the pandemic, testing slowed down because there was essentially one domestic producer of the appropriate swabs for the coronavirus testing kits. That translates to a world where more people die because we don't have adequate testing and, as a result, we don't have the ability to contain the virus.

This pandemic has exposed inherent weaknesses in an all-too-fragile globalized economy where huge demand spikes cannot be met within the United States. Domestic production is the only kind of production our country can really control. Throughout this pandemic, Trump should have used the

Defense Production Act to mandate that the private sector mass-produce the necessary arms in this fight. Where there has been no domestic capacity, the government should have created public-private organizations to do mass production of all the apparatus needed for testing, personal protective

equipment, cleaning supplies, and all essential goods required for our country to protect itself and fight the virus. The government has set up companies before and it should have done so now.

With the recent resurgence of cases, those supplies are in desperate need. Instead, they are nowhere to be found because Trump did not do the work—and continues to not do the work. This action would have created new hiring opportunities for hundreds of thousands of Americans and it would have made us much more prepared to handle the virus. Now, we don't have those resources and we are paying for it.

Building resiliency also means working to avert future disasters. That's why we should build back in a way that puts people back to work but also addresses our climate needs. We have the opportunity to make changes now that not only move us toward a more sustainable model, but one that

This pandemic has exposed inherent weaknesses in an all-too-fragile globalized economy where huge demand spikes cannot be met within the United States.

is more robust and better equipped to handle future disasters.

Renewable energy is 100 percent domestically produced. It also doesn't generate the pollution that has sickened communities for decades with greater instances of asthma, lung disease, and cancer. Those communities are disproportionately communities of color and many of them are the ones hardest hit by the coronavirus. The connection between the effects of pollution and COVID-19 are real and the result of a system that does not value clean air and water as a right for everyone.

A clean rebuilding of the country must increase public transit so that people can be spaced farther apart and not in close quarters. Put people to work retrofitting public buildings, workplaces, and elsewhere to be more energy efficient and resilient to extreme weather, build charging stations and the grid that's needed for renewables, and make sure these jobs are unionized with decent pay.

This crisis has also laid bare the supply-chain challenges of a global economy. To build for a stronger future, we must bring back the manufacturing sector to support a clean economy. Solar panels,

wind turbines, and batteries for electric cars can and should be built in the United States by workers supported by good paying, high quality jobs.

During the New Deal, the Roosevelt Administration's Civil Works Administration hired 4 million people in

the space of two months, which would be roughly 10 million people in today's economy. FDR and his aides recognized that mass unemployment creates a downward spiral for demand that makes economic recovery nearly impossible.

Workers belonging to the Civil Works Administration (CWA) laid 12 million feet of sewer pipe and built or improved 255,000 miles of roads, 40,000 schools, 3,700 playgrounds, and nearly 1,000 airports. Numerous parks, public buildings, and projects were built that still form the cornerstones of communities—small, and large, rural and urban—around the country; New Deal projects like the Tennessee Valley Authority as well as the CWA contributed to American prosperity for decades to come.

What are the public investments we can make today to put people to work and address the needs of our country? One area is education. We can put people to work now to refurbish schools all around the country. But we

The connection between the effects of pollution and COVID-19 are real and the result of a system that does not value clean air and water as a right for everyone.

can go beyond that to imagine a series of new public universities to meet the growing demand for higher education in the decades to come. We can build a series of public universities throughout our country in rural and small town areas that haven't seen growth. Universities also create a positive economic growth cycle in these communities.

If we are willing to rethink our social contract so that our government has a responsibility to ensure decent work on an equitable basis for all Americans, we can better ensure a safer, faster, and fairer economic recovery and build up demand.

RACIAL INEQUITY

In this moment, the free market fundamentalism that has captured so much of our national discourse will mean longer and greater economic pain and human suffering. It will also do nothing to address the racial inequity that has meant that some communities have been vastly more impacted by the coronavirus pandemic than others.

The protests on racial inequity in the United States in recent months have been prompted by police brutality and the unequal treatment of Black

Americans by law enforcement. Like the coronavirus pandemic, this is also a matter of life and death.

Legislation to address this injustice is critical. The passage of the George Floyd Justice in Policing Act in the House in June is a starting point, but

there is a long way to go on the state and local levels as well before we can make significant inroads into curbing police brutality.

If we are really going to implement systemic change and radically reconfigure the treatment of Black people in our society, then we must take action that is far more wide-

reaching. We have to recognize that inequity suffered by Black Americans is not a result of individual action or choice, it is institutionalized. The inequity is built into our system of governance. It is a system that has led to the typical white family having ten times the wealth of a typical Black family; it has meant that a typical non-college educated white household has more wealth than a typical college-educated Black household. Wealth remains highly concentrated along racial lines, and that has a run-on effect for people of color when it comes to accessible

The free market fundamentalism that has captured so much of our national discourse will do nothing to address the racial inequity that has meant that some communities have been vastly more impacted by the coronavirus pandemic than others.

and affordable healthcare, child care, and employment, not to mention the treatment of people of color in the criminal justice system.

A renewed social contract is morally compelled to work for all Americans, not least for those who, for too long, have suffered at the expense of others' prosperity. It is on the federal government to ensure economic recovery reaches every corner of the country, every community, and leaves no group behind.

SOCIETAL RECONFIGURATION

A new social contract provides new responsibilities for companies, individuals, and the government in a reformed compact that reflects the needs of a modern economy in the twenty-first century. It recognizes that forcing workers to work in a meatpacking plant without tests for the coronavirus, without resources if they are sick, without being supplied with personal protective equipment, is the modern day equivalent of Upton Sinclair's 1906 novel *The Jungle*.

Instead, we must rethink our economic relations with a shared perspective. That requires us to not only address the

challenges directly prompted by the coronavirus, but also the long-standing, underlying structural inequities that have exacerbated this crisis and forced some communities into a more precarious situation than others. When one American is forced to choose between her health and her livelihood, the

pandemic makes that a threat to all of us.

This crisis has shown that the federal government cannot simply leave states to their own devices. A libertarian response is a failed response. It is one that would—and has—left families out in the cold, businesses unsupported, and hospitals scrambling in com-

Collective, concerted action, across all levels of government, is vital. And this is not a new concept. When our country has faced its most pressing challenges in the past, an all-hands-on-deck approach has always proven to be the answer.

petition with one another for supplies. It's what made the Senate HEALS Act, which planned to allocate precisely zero dollars to state and local governments—a moral and governing travesty. Collective, concerted action, across all levels of government, is vital. And this is not a new concept. When our country has faced its most pressing challenges in the past, an all-hands-on-deck approach has always proven to be the answer.

The Great Depression was the most catastrophic financial disaster our country had ever seen. From 1929 to

1933, America witnessed extraordinary hardship. At its lowest point, some 15 million Americans were unemployed, nearly one in four workers at the time, and half of the country's banks had failed. President Herbert Hoover encouraged the private sector

to increase spending and he tried to pressure the Federal Reserve to cut interest rates. Yet he stopped short of any federal relief for the unemployed, ceding that responsibility to state and local governments. That libertarian approach only served

to perpetuate the crisis as demand dropped and the economy spiraled downwards. It took a change in presidential administration and a deeply ambitious federal economic plan, a plan far beyond what the country had ever undertaken before—the New Deal—to finally turn the tide on the economic fallout. Roosevelt's actions show that at a time of such unparalleled crisis, the best course of action is for the federal government to step up and coordinate a response across the country. Today, we have an opportunity to build on the New Deal and create a new social contract that redresses the economic and racial inequality we've accepted for far too long.

Today, we have an opportunity to build on the New Deal and create a new social contract that redresses the economic and racial inequality we've accepted for far too long.

The Trump Administration has offered the precise opposite. Where we need a concerted national plan to fight the virus spread, we have 50 state plans with many based not on science, but politics; where we need a reliance on facts and evidence, we have a reli-

ance on voodoo medical claims and conspiracies; and where we need competence and public-mindedness, we have incompetence and grift.

Perhaps, in November, we will see Donald Trump become the Herbert Hoover of our

day. Not only may this crisis bring in a new president, but we could also see a new wave of progressive reforms in the face of a failed theory of libertarianism, the ideology of a dying era. The virus has highlighted glaring flaws in our current system. And what comes in its place must be a reimagined social contract that not only leads us into recovery, but paves the way for a new future. It must be one that reconfigures the relationship between government, corporation, and citizen; one that ensures that the spotlight on racial inequity does not dim, but instead leads to long overdue change; and one that presents a more fair and just way forward. ●



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WHEN BLACK LIVES MATTER

THOUGHTS ON THE PERSISTENCE OF RACIAL INEQUALITY IN AMERICA

Glenn C. Loury

I AM an academic economist, not a sociologist. Nonetheless I believe that to understand the historical fact of black subordination and its implications for the future of American politics it is more useful to examine informal social relations than formal economic transactions. To develop this theme. I will begin by making two observations, one having to do with the dynamics of human development, and the other with the foundations of racial identity.

Why, I ask—the success of the civil-rights movement notwithstanding—has the subordinate status of black Americans persisted into the twenty-first century? Clear thinking about this intractable problem requires one to distinguish the role played by discrimination against Blacks from the

role of counter-productive patterns of behavior that can be found among some Blacks.

This, admittedly, puts what is a very sensitive issue rather starkly. Vocal advocates for racial equality refuse even to consider the possibility that problematic behavior could be an important factor contributing to the persisting disadvantaged status of black Americans. At the same time, observers on the right of American politics insist that anti-Black discrimination is no longer an important determinant of unequal social outcomes. I have tried to chart a middle course—acknowledging anti-Black biases that should be remedied but insisting on the imperative of addressing and reversing the behavior patterns preventing some Blacks from seizing newly opened opportunities.

Glenn C. Loury is Merton P. Stoltz Professor of Economics at Brown University. As an economic theorist he has published widely and lectured throughout the world on his research and is known as a leading critic writing on racial inequality. He has been elected as a Distinguished Fellow of the American Economics Association, is a member of the Council on Foreign Relations, and a Fellow of the Econometric Society and of the American Academy of Arts and Sciences. You may follow him on Twitter @GlennLoury.



Photo: Private collection

In early June 2020 the mayor of Washington, DC, ordered the words “Black Lives Matter” to be painted on a street close to the White House

RIVAL CAUSAL NARRATIVES

These two positions can be recast as causal narratives. Under the “bias narrative,” one argues that racism and white supremacy are the culprits; Blacks cannot get ahead until they relent. Since, on this view, discrimination is the cause of racial inequality, we must continue urging the reform of American society toward that end.

Under the “development narrative,” by contrast, one emphasizes the need to consider how people acquire the skills, traits, habits, and orientations that foster an individual’s successful participation in American society. If Black

youngsters do not have the experiences, are not exposed to the influences, and do not benefit from the resources that foster and facilitate their human development—to that extent, they may fail to achieve their full human potential. On this view, this lack of development is the ultimate cause of stark racial disparities in income, wealth, education, family structure, and much else.

Of course, these two narratives—bias versus development—need not be mutually exclusive. What is clear, however, is that, in terms of prescribing interventions and remedies, they point in very different directions. The bias

narrative urges us to have “conversations about race.” America must reform itself in response to demands to end racism. We need more of this or that, whatever “this” or “that” may be on the social justice warrior’s agenda. One hears this kind of rhetoric and reads these exhortations in the media every day.

The development narrative puts more onus on the responsibilities of African Americans to act in ways that help realize our full human potential. It is not satisfied with wishful thinking like “if we could

only double the budget for some social program, then the homicide rate among young Black men would be less atrocious.” Or, “if we can just get this local police department investigated by the U.S. Department of Justice then....” The development narrative asks, *Then what*: it will become safe to walk on the south side of Chicago after midnight? As a social scientist who looks to the evidence for guidance, I find that to be an extremely dubious claim.

So, what are my two observations?

TWO OBSERVATIONS

Over four decades ago, in my 1976 doctoral dissertation at M.I.T., I had the good fortune to coin the term “social capital.” I did so by way of

contrasting my concept, “social capital,” with what economists called “human capital.” Human capital theory, in short, imports into the study of human inequality an intellectual framework which had been developed primarily to explain the investment decisions by firms—a framework that focuses on the analysis of

formal economic transactions. In my dissertation I argued that this framework was inadequate to the problem of accounting for social inequality. Allow me to explain.

My fundamental point was that associating

business with human investments is merely an analogy—and not a particularly good one—if one seeks to explain persistent racial disparities. Business investments are transactional. Human investments are essentially relational. Important things having to do with informal social relations are missed in the human capital approach. Human capital theory is incomplete when it comes to explaining racial disparities, I argued. There were two central aspects of this incompleteness. Hence my two observations about the dynamics of human development and the nature of racial identity.

From this I derived two fundamental observations. First, I stressed that *all human development*

is socially situated and mediated. That is, I argued that the development of human beings occurs inside of social institutions. It takes place as between people, by way of human interactions. The family, community, school, peer group—these *cultural institutions* of human association are where development is achieved. Resources essential to human development—the attention that a parent gives to her child for instance—are not *alienable*. Developmental resources, for the most part, are not “commodities.”

In other words, the development of human beings is not up for sale. Rather, structured connections between individuals create the contexts within which developmental resources come to be allocated to individual persons. Opportunity travels along the synapses of these social networks. People are not machines. Their “productivities”—that is to say, the behavioral and cognitive capacities bearing on their social and economic functioning—are not merely the result of a mechanical infusion of material resources. Rather, these capacities are the byproducts of social processes mediated by networks of human affiliation and connectivity.

This was fundamentally important, I thought and still think, for understanding persistent racial disparities in America. That was the first point I wanted to make, all those years ago, about the incompleteness of human capital theory.

In my 1976 doctoral dissertation at M.I.T. I made two fundamental observations: all human development is socially situated and mediated; and what we are calling “race” in America is mainly a social, and only indirectly a biological, phenomenon.

My second observation was that *what we are calling “race” in America is mainly a social, and only indirectly a biological, phenomenon.* The persistence across generations of racial differentiation between large groups of people, in an open society where individuals live in close

proximity to one another, provides irrefutable indirect evidence of a profound separation between the racially defined networks of social affiliation within that society. Put directly: *there would be no “races” in the steady state of any dynamic social system unless, on a daily basis and in regard to their most intimate affairs, people paid assiduous attention to the boundaries separating themselves from racially distinct others.* Over time “race” would cease to exist unless people chose to act in a manner so as biologically to reproduce the variety of phenotypic expression that constitutes the substance of racial distinction.

I cannot over-emphasize this point. “Race” is not something simply given in nature. Rather, it is socially produced; it is an equilibrium outcome; it is something we are making; it is endogenous. It follows that, if the goal is to understand the roots of durable racial inequalities, we will need to attend in some detail to the processes that cause “race” to persist as a fact in the society under study, because such processes almost certainly will be closely related to the allocation of developmental resources in that society.

CULTURAL CONCEPTIONS

This way of thinking has an important implication, which is this: persistent racial inequality in any society ultimately rests upon a set of *cultural* conceptions about identity embraced by the people in that society—that is, upon convictions people affirm about who they are and about the legitimacy and desirability of conducting intimate relations with racially distinct others. (Here I do not only mean sexual relations.)

My impulse to contrast *human* and *social* capital all those years ago was rooted in my conviction that beliefs of this kind ultimately determine the access that people enjoy to the informal resources they required to develop their human potential. What I called “social capital” was, on this view, a critical prerequisite for creating what economists referred to as “human

capital.” This point is crucial, I believe, if we are to understand the persistence of racial inequality in America. I wish to insist, however, that by invoking the social effects that may limit individual achievement, in no way am I “blaming the victim.”

Historically oppressed groups, time and again, have evolved notions of identity that cut against the grain of their society’s mainstream. A culture can develop among them that inhibits talented youngsters from taking the actions needed to develop that talent.

Now, given such a situation, I wish to ask: Do kids in a racially segregated dysfunctional peer group simply have the wrong utility functions? It is a mistake to *attribute the dysfunctional behavior of an historically oppressed group of people to their simply having the wrong preferences when those “preferences” have emerged from a set of historical experiences that reflect the larger society’s social structures and activities.*

Another way of saying this is that when thinking about group disparities, social relations ought to have priority over economic transactions. If ethnic communities and their local cultures are not integrated across boundaries of race in a society—then racial inequalities can persist. Such persistent disparities are not just the product of

discrimination but, more fundamentally, they emerge from a complex, morally ambiguous and difficult-to-regulate set of phenomena embodying and reflecting what people in society see as the *meanings* that give significance to their lives and, most critically, from the structures of social connectivity to which those meanings will have given rise.

When thinking about group disparities, social relations ought to have priority over economic transactions.

DOWNPLAYING BEHAVIORAL DISPARITIES

Socially mediated behavioral issues are real and must be faced squarely if we are to grasp why racial disparities persist. People on the left of American politics who claim that “white supremacy,” “implicit bias,” and old-fashioned “anti-Black racism” suffice to account for Black disadvantage are daring you to disagree with them. Their implicit rebuke is that, if you do not accept their account, then you must believe that there is something intrinsically wrong with Black people. That is, unless you ascribe Black disadvantage to racial unfairness, you must be a racist who thinks Blacks are inferior. How else, they ask in effect, could one explain the disparities? “Blaming the victim” is the offense that they will accuse you of.

But this is nothing more than a bluff; a dare; a rhetorical move; a debater’s trick. Because, at the end of the

day, what are those folks saying when they declare that “mass incarceration” is “racism,” that the high number of Blacks in jails is, self-evidently, a sign of racial antipathy? If one responds, “no, it’s mainly a sign of the pathological behavior of criminals who happen to be Black,” then one risks being dismissed as a moral reprobate.

Yet, common sense (and much evidence) suggests that people are not being arrested, tried, convicted, and sentenced because they are Black. Rather, jails are full of people who have broken the law, who have hurt other people, who stole something, who violated the basic rules of civility in society. Prison is not a conspiracy to confine Black people. No serious person really believes that it is, I maintain. Not really.

As a matter of fact—and self-evidently—the young men taking each other’s lives on the street of St. Louis, Baltimore, and Chicago are exhibiting behavioral pathology, plain and simple. Those bearing the cost of such pathology are mainly Black people; and the ideology which ascribes that behavior to racism is really a bluff; it is laughable; it cannot be taken seriously—at least not by serious people. Nobody believes it. Not really.

Or consider the educational test score data. The anti-racism advocates are, in effect, daring you to say that some groups send their children to the elite universities in outsized numbers compared to other groups due to the

fact that their academic preparation is magnitudes higher and better and finer. Their excellence is an achievement. One is not born knowing these things. One acquires mastery over them through effort.

Now, why have some youngsters acquired these skills while others have not? That is a very deep and interesting question, one which I am quite prepared to entertain. But the simple retort, “racism,” is laughable—as if such disparities have nothing to do with behavior, with cultural patterns, with what peer groups value, with how people spend their time, with what they identify as being critical to their own self-respect. Anyone who believes such nonsense is, I maintain, a fool.

Asians are said, sardonically, to be a “model minority.” Well, as a matter of fact, a pretty compelling case can be made that “culture” is critical to their success. Don’t just take my word for it. Read Jennifer Lee and Min Zhou’s book, *The Asian American Achievement Paradox* (2015). They interviewed Asian families in

Southern California, trying to learn how their children get into Dartmouth and Columbia and Cornell with such high rates. What they find is that these families do, in fact, exhibit cultural patterns, embrace values, adopt practices,

engage in behavior, and follow disciplines that orient them in such a way as to facilitate the achievements of their children. It defies common sense, as well as the evidence, to assert that they do not or, conversely, to assert

that the paucity of African Americans performing at the top of the intellectual spectrum—I am talking here about excellence, and about the low relative numbers of Blacks who exhibit it—has nothing to do with behavior of Black people; that this outcome is due entirely to institutional forces. That is an absurdity. No serious person could believe it.

Neither does anybody believe that 70 percent of African American babies being born to a woman without a husband is, (1) a good thing—nobody really thinks this is okay; or (2) is due to anti-Black racism. They say it, but they do not believe it. They are bluffing—daring you to observe that the twenty-first century failures of African Americans to take full advantage of the opportunities created by the twentieth century’s

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revolution of civil rights are palpable and damning. And yet, these failures are being denied at every turn. This is not a tenable position, I maintain. The end of Jim Crow segregation and the advent of equal rights for Blacks was a game-changer. That we are now a half century down the line from this, and we still have these disparities, is simply shameful. The plain fact of the matter is that a large part of the responsibility for this sorry state of affairs lies with the behaviors of Black people ourselves.

Leftist critics tout the racial wealth gap. They act as if pointing to the absence of wealth in the African American community is, *ipso facto*, an indictment of the system—even as black Caribbean and African immigrants are starting businesses, penetrating the professions, presenting themselves at Ivy League institutions in outsize numbers, and so forth. In doing so they behave like other immigrant groups in our nation’s past. Yes, they are immigrants, not natives. And yes, immigration can be positively selective. I acknowledge that. Still, something is dreadfully wrong when adverse patterns of behavior readily visible in the native-born black American population

go without being adequately discussed—to the point that anybody daring to mention them risks being labelled a racist. This is all a bluff which

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cannot be sustained indefinitely. We are, I believe, already beginning to see the collapse of this house of cards.

THE EMPTINESS OF “STRUCTURAL RACISM”

The invocation in political argument of “structural racism” is both a bluff and a bludgeon. It is a bluff in the sense that it offers an

“explanation” that is not an explanation at all and, in effect, dares the listener to come back. So, for example, if someone says, “there are too many black Americans in prison in the United States, that’s due to structural racism,” what you’re being dared to say is, “no: Blacks are so many among criminals, and that’s why they’re in prison; it’s their fault, not the system’s fault.”

And it is a bludgeon in the sense that use of the phrase is mainly a rhetorical move. Users do not even pretend to offer evidence-based arguments beyond citing the fact of the racial disparity itself. It does not go into cause and effect. Rather, it asserts shadowy causes that are never fully specified, let alone

demonstrated. We are all just supposed to know that it's the fault of something called "structural racism," abetted by an environment of "white privilege," and furthered by an ideology of "white supremacy" that purportedly characterizes the society. It explains everything. Confronted with any racial disparity, the cause is asserted to be "structural racism."

History, I would argue, is rather more complicated than that. Many of these racial disparities must have multiple, interwoven, and interacting causes that range from culture, politics, and economic incentives, to historical accident, environmental influence and, yes, also to the nefarious doings of particular individuals who may or may not be racist, as well as systems of law and policy that are disadvantageous to some racial groups without having so been intended.

So, I want to know what they are talking about when they say "structural racism." In effect, use of the term expresses a disposition. It calls me to solidarity. It asks me for my fealty, for my affirmation of a system of belief.

I thus think it's a mischievous way of talking, especially in the university, although I understand why it might work well on Twitter.

ANTI-RACISM AS "RELIGION"

To some degree, the anti-racism craze now sweeping across American culture and politics is a moral panic—a kind of mass hysteria. People have an investment as African American victims of "structural racism," and as sympathetic white American who

understand themselves to be standing on the right side of history.

They have a catechism—things you are and are not supposed to say.

They have their hunt for apostates and heretics—people who, in a weak moment, say the wrong thing and are labelled believers in false doctrines and are punished with excommunication.

There is even an analog to baptism—or to "born again" moments—when a person finally owns-up to his or her racism.

There is talk about the need for our nation to come to terms with its past—in effect, a call for revival meetings. We are being exhorted to return to the "true faith."

This is all by way of saying that there are many points of commonality between conventional religious faith and belief in the crusade against anti-Black racism.

PUTTING POLICE KILLINGS OF BLACKS IN AMERICA IN PERSPECTIVE

There are about 1,200 killings of people by the police in the United States each year, according to the carefully documented database kept by the *Washington Post* which enumerates, as best it can determine, every single instance of a police killing. Roughly 300 of those killed are African-Americans: that's about one fourth, while Blacks are about 13 percent of the population. So that's an overrepresentation, though still far less than a majority of the people who are killed.

More whites than Blacks are killed by police in the country every year. Now, 1,200 may be too many. I am prepared to entertain that idea. I'd be happy to discuss the training of police, the recruitment of them, the rules of engagement that they have with citizens, the accountability that they should face in the event they overstep their authority. These are all legitimate questions. And there is a racial disparity, although there is also a racial disparity in Blacks' participation in criminal activity, which must be reckoned with as well.

I am making no claims here, one way or the other, about the existence of discrimination against Blacks in the police use of

force. This is a debate. There is evidence that could be brought to bear. There well may be some discrimination in police use of force, especially non-lethal force.

But in terms of police killings, we are talking about three hundred victims per year who are African American. All of them are not unarmed, simply walking down the street. Many are engaged in violent conflict with police officers, which leads to their being killed. Yes, some are instances like George Floyd, which are problematic in the extreme without any question, and that deserve the scrutiny of concerned persons.

Still, we need to bear in mind that this is a country of more than three hundred million people. There are scores of concentrated urban areas where the police are interacting with the citizens. Tens of thousands of encounters occur between police and citizens daily in the United States. So, these events—which are extremely regrettable events and often do not reflect well on the police—are, nevertheless, quite rare. To put it in perspective, there are about 17,000 homicides in the United States every year, nearly half of which entail Black perpetrators. The vast majority of those have other Blacks as victims. Hence, for every Black killed by the police,

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more than 25 other Black people meet their end because of homicides committed by other Blacks. This is not to ignore the significance of holding police accountable for the exercise of their power vis-à-vis citizens. It is merely to notice how very easy it is to overstate the extent and the significance of this phenomenon, which I think the Black Lives Matter activists have done.

RACIALIZING POLICE-CITIZEN INTERACTIONS

I want to also to stress some of the dangers of seeing these police killings primarily through a racial lens. These events are regrettable regardless of the race of the people involved. Invoking race—emphasizing that the officer is white, and victim is Black—tacitly presumes that the reason the officer acted as he did was because the dead young man was Black, and we do not necessarily know that.

Moreover, once we get into the habit of racializing these events, we may not be able to contain that racialization merely to instances where white police officers kill Black citizens. We may find ourselves soon enough in a world where we talk about Black criminals who kill unarmed white victims. That is a world which no thoughtful person could welcome, because there are many, many such instances of Black criminals harming white people. They are criminals harming people and they should

be dealt with accordingly. They do not stand in for their race when they do so.

Neither should those white victims of crimes committed by black Americans see themselves primarily in racial terms if their automobile is stolen, or if someone beats them up and takes their wallet or breaks into their home and abuses them. Such things are happening on a daily basis in the country, and we don't want to live in a world where we see these events primarily through a racial lens.

People are playing with fire, I think, when they bring that sensibility to police-citizen interaction.

“WHITE FRAGILITY”

Likewise, I suspect that what we are seeing from the progressives in the academy and the media is but one side of the “whiteness” card. That is, I wonder if the “white-guilt” and “white-apologia” and “white-privilege” view of the world cannot exist except also to give birth to a “white-pride” backlash, even if the latter is seldom expressed overtly—it being politically incorrect to do so.

Confronted by someone who is constantly bludgeoning me about the evils of colonialism, urging me to tear down the statues of “dead white men,” insisting that I apologize for what my forebears did to the “peoples of color” in years past, demanding that I settle my

historical indebtedness via reparations, and so forth—I well might begin to ask myself, were I one of these “white oppressors,” exactly on what foundations does human civilization in the twenty-first century stand?

I might begin to enumerate the great works of philosophy, mathematics, and science that ushered in the Age of Enlightenment, that allowed modern medicine to exist, that gave rise to the core of our knowledge about the origins

of the species and of the universe. I might begin to tick-off the great artistic achievements of European culture, the architectural innovations, the paintings, the symphonies, etc. And then, were I in a particularly agitated mood, I might even ask these “people of color,” who think that they can simply bully me into a state of guilt-ridden self-loathing: where is “their” civilization?

Now, everything I just said is absolutely “racist” and “white supremacist” rhetoric. I wish to stipulate that I would never say something like that myself. I am not here attempting to justify that position. I am simply saying that, if I were a white person, such a way of thinking might tempt me; and I cannot help but think that it is tempting a great many white people.

We can wag our fingers at them all we want but, in a way, they are a part of the package. If we are going to go down this route, we have got to expect this. How can we make “whiteness” into a place of unrelenting moral indictment without

How can we make “whiteness” into a place of unrelenting moral indictment without also occasioning it to be the basis of pride, of identity and, ultimately, of self-affirmation?

also occasioning it to be the basis of pride, of identity and, ultimately, of self-affirmation?

So, the right idea, I say, is the idea of Gandhi and Martin Luther King. The right idea is striving to transcend our racial particularism, and to

stress the universality of our humanity. The right idea is, if only fitfully and by degrees, to carry on with our march toward the goal of “race-blindness”—i.e., to move toward a world where no person's worth is contingent upon racial inheritance. That, it seems to me, is the only way effectively to address a legacy of historical racism without running into a reactionary chauvinism. If you effectively promote anti-whiteness (and Black Lives Matter often seems to flirt with this), you well may reap what you sow in a backlash of pro-whiteness.

THE “ASIAN PROBLEM”

I expect that many anti-racism crusaders would reject this argument, saying that white people knew that they were white before they got reminded of this by the Black Lives Matter movement.

They knew that they were white when they were enslaving Africans in North America; when they assimilated Catholic or Jewish immigrants from Southern and Eastern Europe into a governing racial coalition of non-Black, non-brown people; and so on. However, in the America of the twenty-first century, there is one big problem with this argument: the Asians.

Just as important, I think, for the future of the country as the Civil Rights Act of 1964 was the de-racialization of America's immigration-control regime, which occurred at roughly the same time. Since then we have seen tens of millions of people from East and South Asia, Latin America, the Caribbean, and Africa come to the country. The result has been, on the whole, an amazing and world-historic success story of the assimilation of ethnically distinct populations—racially distinct, if you will—intermarriage rates through the roof, 30 to 40 percent of Asian-American young women married to Anglo, white men, and so on, penetration into the professions and all of that, accumulation of wealth, educational achievement.

Of course, they are not a random draw on the global population. There is a selective flow of people

coming—I have already touched on this point in an earlier section. They come with capital. They come with their values and their culture and so forth like that, but American society has been mostly open to them—not without some

The right idea is striving to transcend our racial particularism, and to stress the universality of our humanity. The right idea is, if only fitfully and by degrees, to carry on with our march toward the goal of "race-blindness"

problems somewhere, admittedly. We know as a matter of historical record about the anti-Asian sentiment that met the Chinese who built the railroads in the late nineteenth century and the Japanese internment in the mid-twentieth century. We need to be aware of these things and not gloss over them,

not in the least, but I'm saying this is the real world that we live in. Perfection is not an option in the real world. But perfectibility is. And the success of Asian immigrants in America over the past half-century surely exemplifies this.

"BLACK FRAGILITY"

I would add that there is an assumption of "Black fragility"—or at least of Black lack of resilience lurking behind these anti-racism arguments. Blacks are being treated like infants whom one dares not to touch. One dares not say the wrong word in front of us; to ask any question that might offend us; or to demand anything from us, for fear that we will be so adversely impacted by that.

The presumption is that Blacks cannot be disagreed with, criticized, called to account, or asked for anything. No one asks Black people: "what do you owe America?" How about not just "what does America owe us" (for instance, reparations for slavery)? But also: "what do we owe America?"

How about duty? How about honor? When you take agency away from people, you remove the possibility of holding them to account and the capacity to maintain judgment and standards so that you can evaluate what they do. If a youngster who

happens to be Black has no choice about whether or not to join a gang, pick up a gun, and become a criminal (since society has failed him by not providing adequate housing, health care, income support, job opportunities, and so on) then it becomes impossible to discriminate as between the Black youngsters who do and do not pick up guns and become members of a gang in those conditions, to maintain within African-American society a judgment of our fellows' behavior, and to affirm expectations of right-living—since, after all, we are the victims of anti-Black racism.

As a result, we are leveled down by a presumed lack of control over our lives and lack of accountability for what we do.

What is more, there is a deep irony in first declaring white America to be systemically and essentially racist, and then mounting a campaign to demand that whites recognize their own racism and deliver us from the consequences of it. If, indeed, you are right that your oppressors are racist, why would you expect them to respond to a moral appeal? You are, in effect, putting yourself on the mercy of the court, while simultaneously decrying that the court is biased.

Much of the anti-racism arguments that

I've seen people make that have become very widely accepted—Ta-Nehisi Coates comes to mind, the author of this book *Between the World and Me* (2015), which is written in the form of an open letter to his son, where he basically preaches to his son that American society is so unrelentingly determined to deny his son's humanity that he must never lose sight of the fact that he's a hated, hunted species of human. There's no hope. There's no possibility. Don't believe in the American dream. Don't drink the Kool-Aid. Don't buy the narrative. Don't believe the hype.

Frankly, this kind of idea is disempowering; it's disempowering in the extreme.

Name another country on the planet where so many people with differences of this kind could be so effectively assimilated into the population over the course of a lifetime. So those who would indict America as systematically racist have got a problem.

ACHIEVING "TRUE EQUALITY"

I am reminded, amidst the contemporary turmoil, of the period after the Emancipation more than 150 years ago. There was a brief moment of pro-freedmen sentiment during Reconstruction, in the immediate

aftermath of the Civil War, but it was washed-away and the long, dark night of Jim Crow emerged. Blacks were set back. But, in the wake of this set back emerged some of the greatest achievements of African American history. Thus, the freedmen who had been liberated from

slavery in 1863 were almost universally illiterate. Within a half-century, their increased literacy rate rivals anything that has been seen, in terms of a mass population acquiring the capacity to read. Now, that was really very significant, for it helped bring black Americans into the modern world.

We now look at the Black family lamenting, perhaps, the high rate of births to mothers who are not married and so forth—but that is a modern, post-1960 phenomenon. In fact, the health of the African American social fiber coming out of slavery was remarkable. Books have been written about this: businesses were built,

people acquired land, people educated their children, people acquired skills. They constantly faced opposition at every step along the way: "no Blacks need apply," "white only," this and that and the other; and nevertheless they built a foundation from which

could be launched a Civil Rights Movement in the mid-twentieth century that would change the politics of the country.

Such potentiality is now, in a way, forgotten as we throw ourselves, as I say, on the mercy of the court. "There's nothing we can do."

"We're prostrate here." "Our kids are not doing as well, our communities are troubled, but here we are, and we ask that you save us."

This is the very same population about which this noble history of extraordinary accomplishment under unimaginably adverse conditions could be told. Yes, I know very well that the expression "pull yourself up by the bootstraps" is a kind of cliché: people will laugh when you say it, and they'll roll their eyes and whatnot. But that is in fact the gist of my argument: take responsibility for your life. No one's coming to save you. It's not anybody else's job to

When you take agency away from people, you remove the possibility of holding them to account and the capacity to maintain judgment and standards so that you can evaluate what they do.

raise your children. It's not anybody else's job to pick the trash up from in front of your home, and so on and so forth. Take responsibility for your life. It's not fair, and this is another, I think, delusion.

People think there is some benevolent being up in the sky who will make sure everything works out fairly, but it is not so. Life is full of tragedy and atrocity and barbarity. This is not fair. It is not right. But such is the way of the world. If you want to walk with dignity, if you want to be truly

equal—people talk about equality. White people cannot give Black people equality. Black people have to actually earn equal status.

Please don't get angry with me, because I'm on the side of Black people here. But I'm saying equality of dignity, equality of standing and respect, equality of feeling secure in your position in society, equality of being able to command the respect of others—none of these things can be handed over to you. That's something that you have to wrest with the hard work. With your bare hands you have to make yourselves equal. No one can make you equal.

I have argued that the problems of racial inequality have some basis in disparate patterns of behavior by race. But I also wish to insist that this is a quintessentially American affair, not simply a measure of the inadequacy of "black culture."

RELATIONS BEFORE TRANSACTIONS

Let me conclude on a somewhat different note: How a diverse society answers the question, "Who are we?" is a fundamentally significant issue. It is

certainly an important question in the United States today. Who are we? Whose country is it?

When we talk about crime, violence, school failure, urban decay, etc., we need to ask ourselves: are these matters, in the back of our minds, such that we understand them as being *us* against *them*? Because if it is *us*

against *them*, then anything is possible. It becomes possible to say about those people languishing in the ghettos of our great cities: "that's not my country. That's some third world thing." By the way, this was actually said during the flood of New Orleans after Hurricane Katrina in 2005. But it's a lie. Black people in New Orleans had been there for 250 years. They were not aliens. They were and are as American as you can get, as American as anybody can be. That was *us* down there crawling up on the rooftops. That was *us* huddled in the Superdome. That was *us*.

I have argued that the problems of racial inequality have some basis in disparate patterns of behavior by race.

But I also wish to insist that this is a quintessentially American affair, not simply a measure of the inadequacy of “black culture.” It reflects upon *our* social inadequacies, not only *theirs*. I buttress that argument by observing that human development is socially situated and stressing the fundamental role “race” plays in all of this. This is what I mean when I, being an economist, nevertheless insist on placing relations before transactions.

Consider the poor central-city dwellers who make up perhaps a quarter of the African-American population.

The dysfunctional behavior of many in this population is a big part of the problem here, to be sure. So, conservatives’ demand for greater personal responsibility in these quarters is both necessary and proper. And yet, confronted with the despair, violence, and self-destructive folly of so many people, it is morally and intellectually superficial in the extreme to argue, as many have done, that “those people should just get their acts together like many of the poor immigrants. If they did we would not have such a horrific problem in our cities.” To the contrary, any morally astute response to the “social pathology” of

American history’s losers should conclude that, while we cannot change our ignoble past, we need not and must not be indifferent to contemporary suffering issuing directly from that past. *Their* culture may be implicated in their difficulties, but then so too is *our* culture complicit in their troubles: we bear collective responsibility for the form and texture of our social relations.

Thus, while we can’t ignore the behavioral problems of this so-called underclass we should discuss and react to them as if we were talking about our own children, neighbors,

and friends, which is to say: this is an *American* tragedy. It is a national, not merely a communal disgrace. Changing the definition of the American “we” is a first step toward rectifying the relational discrimination that afflicts our society. And this will require adjusting ways of thinking on all sides of the racial divide. Ultimately, we need to get beyond race and, as Martin Luther King, Jr. prophetically envisioned, to ground our civic discourse in an unwavering commitment to trans-racial humanism. Achieving a society where all members are thought of as being among *us* should be the goal. ●

Changing the definition of the American “we” is a first step toward rectifying the relational discrimination that afflicts our society. And this will require adjusting ways of thinking on all sides of the racial divide.

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FIGHTING HATE IN THE ERA OF CORONAVIRUS

Jonathan A. Greenblatt

THE THEME of this issue, “America at a Crossroads,” captures the essence of the current moment we are facing. This is more than just about another presidential election or politics as usual, more than just a need to address the rampant spread of hatred in society. It is about the fact that we are truly standing at a crucial juncture in American history.

The question is, which road will we go down? Will we follow the extreme voices that are being amplified across social media and entering our mainstream political discourse? Or, will we steer clear of the extreme voices and find a way to work together toward a more tolerant society that values democracy, pluralism, and decency over calls to stereotyping and hatred?

As Jews and as Americans, we know from our history in this country as well as from our past that this is a stark

choice with only one clear answer. The question to focus on is this: how do we move our society in the right direction and away from the gathering forces of hatred and extremism?

PRESSURE POINTS IN AMERICA

Let’s briefly take stock of some of the pressure points America is facing in this moment. First, the coronavirus pandemic has had a profound impact on just about every aspect of society and our lives. Nearly eight million Americans have contracted the virus, and more than 200,000 people have died just in this country alone. It has shuttered businesses and schools. It is hurting nonprofit organizations that provide essential services. It has contributed to the highest level of unemployment since the Great Depression. And all of this has caused a great deal of anxiety, which has brought some side effects, including the spread of conspiracy theories

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Photo: ADL

Jonathan Greenblatt in conversation with delegates at the United Nations

and attempts to blame the spread of the virus on Jews, Asians, and other minorities.

Second, a series of police shootings and killings targeting unarmed black Americans has once again raised the specter of racism in the United States and given rise to questions about how far we have come in our society in overcoming the legacy of slavery, the Civil War, and the Jim Crow South. This national reckoning over race and society has started an important national debate and has already made some progress, but there’s much work to be done.

Third, white supremacists haven’t disappeared from the American scene. In fact, far from it. From the hateful rally in Charlottesville in 2017, where antisemitic and racist slogans were on full display, leading to the death of a protester, to synagogue shootings in Pittsburgh and Poway at the hands of extremists, and into the present moment where a sitting state governor became the target of an assassination plot, far-right extremists continue to pose a significant threat in this country. We need to recognize this threat, to document its effects, and to seek ways to counter it, while also keeping an eye on other extremists, such

as those on the far left who attempt to delegitimize and scapegoat the State of Israel, or those who spread antisemitic conspiracy theories about Jewish control of the U.S. government.

Fourth, we are in the midst of bitterly fought presidential and congressional races where the

rhetoric is ugly and, at times, toxic. The internet and social media have fueled the spread of election misinformation and disinformation. And we are facing a logistical challenge of maintaining our

democracy and getting voters to the polls on election day in the middle of a pandemic, which has raised questions about whether the United States will be able to ensure free and fair elections if it is an election held largely by mail-in-ballot. And all of this is happening during one of the most important elections of our lifetimes, with daunting challenges facing our country and when the stakes are higher than ever.

And finally, there's the problem of spreading hate on social media and the internet. Earlier this year, the Anti-Defamation League (ADL) launched a campaign called "Stop Hate for Profit," when it became clear to us that Facebook—the largest and

most popular social media platform—wasn't doing enough to address the spread of hatred on its servers and to protect its users from exposure to hate speech and hateful content. We called on companies to stop advertising on Facebook and hundreds of big-name brands, that were just as

The question to focus on is this: how do we move our society in the right direction and away from the gathering forces of hatred and extremism?

concerned about the spread of hate speech and racism, joined our effort. Now the question remains: will social media companies get the message and take action to ensure that their platforms are hate-free zones? Right

now, Facebook and other platforms continue to provide haters and bigots with a nearly unfettered space to spread hate. If they can't reign in hate speech and help prevent the spread of misinformation and conspiracy theories, what does that mean for civility and society? Social media is the next frontier in the battle against hate.

All of this gives you a sense of the issues we are grappling with every day here at ADL—one of the oldest and largest nonprofit organizations fighting antisemitism and hatred in all forms. Since our founding in 1913, ADL has been a leading organization speaking out against hate, and we take our mission as seriously now as we did over a hundred years ago.

We also recognize that this is no ordinary moment, but a true crossroads for America. So we are working hard to educate Americans; to fight for legislation, such as stronger hate crime laws, that can serve as a bulwark against hate-motivated violence; to advocate for greater civility in our political system; to press social media companies to address and change policies that enable hate to fester; and to find and build new alliances so that we are not fighting these battles alone.

What follows is a summary of how we are working on the issues presented by each of the challenges to society I've mentioned in this introduction to this essay.

PUSHING BACK ON CORONAVIRUS CONSPIRACIES

As the oldest anti-hate organization in the world, ADL has weathered our fair share of national tragedies and global events. But the fast-spreading coronavirus pandemic has posed new challenges, including the serious risk that the compounding public anxiety around the virus could lead to the scapegoating and blaming of Asian, Jewish, and other minorities for this public health crisis.

In fact, earlier this year we saw Asian Americans and Jewish Americans and

other minority communities being blamed for the pandemic. We saw some pundits pointing the finger at prominent Jews as if the virus was the product of some conspiracy. We saw internet chatter from white supremacists suggesting the disease is spreading in America because of an influx of foreigners. And

We know from history that at times of real crisis in society, the voices of reason and logic can be drowned out by those who wish to spread hatred or sow discord.

Donald Trump himself has repeatedly referred to the virus as the "Chinese virus," only reinforcing stereotypical and false notions about the causes and origin of the virus.

While, fortunately, none of this has entered the mainstream in a significant way, there's always a serious risk that this kind of hateful rhetoric and outright scapegoating of minorities will take on a life of its own. We know from history that at times of real crisis in society, the voices of reason and logic can be drowned out by those who wish to spread hatred or sow discord.

Rarely has there been a more opportune moment to seize on fear and spread hate.

This is the kind of situation that we realize can spiral out of control quickly unless we all appeal directly to our leaders and the American people not to let it happen. Our response at ADL was three-fold: We started a list categorizing

acts of hate against Asian Americans, to ensure that we were fully documenting the problem; we tracked antisemitic COVID-19 conspiracy theories and their spread among far right extremists, and we joined with top political and civil rights leaders to denounce attempts to blame the spread of the virus on minorities.

To borrow from Abraham Lincoln: Americans need to summon the better angels of our natures. We need to stop the demonization of minorities, call out scapegoating for what it is, and come together as one nation indivisible so we can beat this together.

There's history here: both Chinese and Jewish immigrants experienced xenophobia in the nineteenth and early twentieth centuries as large-scale immigration to the shores of America fueled Sinophobia and a range of antisemitic reactions.

Starting in the 1870s, anti-Chinese invective became politicized by elected officials and some labor leaders who blamed Chinese "coolies" for depressed wage levels. This led to a series of increasingly restrictive anti-Chinese laws nationwide. In the late nineteenth century, some intellectuals and writers promoted the notion of a "Yellow Peril," suggesting that Asians were in a contest of racial superiority with Americans. Such fears, and others, led to the passage

of laws such as the Chinese Exclusion Act (1882) that prohibited the immigration of virtually all Chinese people to the United States.

Likewise, blaming Jews for the spread of diseases and other societal ills has remained a key feature of antisemitism for centuries. Throughout history, Jews have often been directly blamed for the spread of diseases, from the Black Plague in the fourteenth century, when Jewish people were accused of "poisoning the wells," to the present, when Orthodox Jewish communities have been demonized and attacked in relation to a recent measles outbreak.

And now we have COVID-19, where both Jewish Americans and Americans of Chinese descent are being blamed for spreading the virus, even when scientists are telling us emphatically that this disease is not being transmitted by any one religious or ethnic group but can be spread by anyone coming into contact with someone who already has been infected.

There have been posts on notoriously extremist-friendly platforms like Telegram, 4chan, and Gab linking the coronavirus to racist and antisemitic slurs and memes. Users across these channels regularly share racist messages or caricatures of Chinese people, mocking their eating habits, accents, and hygiene. Posters on Telegram and 4chan

appear to be cheering-on the virus, hoping it will spread to predominately non-white countries.

It has also started to enter the mainstream, as political leaders and those in positions of influence have picked up on these themes. Former Milwaukee County Sheriff David Clarke, who has been tied to extremist groups, lamented that no major media outlet has asked about "George Soros's involvement in this FLU panic. He is SOMEWHERE involved in this." Here, we believe the former sheriff is invoking the antisemitic conspiracy theory of "Jewish power," insinuating that this Jewish philanthropist is somehow using his influence and wealth to create a global pandemic.

Similarly, people are using coronavirus news as an opportunity to disparage Jews on social media. After news broke that George Washington University had quarantined students who attended this year's American Israel Public Affairs Committee Policy Conference, some students reported they were being harassed on Twitter—and even in person—with antisemitic messages. And we have seen hateful messages directed at Jewish communities in New York in the wake of the onset of a COVID-19 outbreak in March 2020.

Social media is the next frontier in the battle against hate.

Beyond the antisemitic incidents, we have seen attempts by some elected officials and others in positions of authority to eschew generic medical terms for the epidemic, such as "coronavirus" or the World Health Organization's name for it "COVID-19." Instead, some are opting to refer to it as the "Wuhan virus," seemingly to emphasize its origins in China. Others have referred to COVID-19 as a "Chinese coronavirus" or the "Kung Flu." While some might think it reasonable to describe the disease in this manner, such descriptions have real consequences, because they can contribute to scapegoating and xenophobia.

In just one example, a 59-year-old Asian man was kicked in the back and told to go back to his country. There's also been a rise in racist, anti-Chinese incidents overseas, and a troubling protest outside the Sacramento International Airport. And we know that hate crimes historically are underreported, so this likely represents just the tip of the iceberg for incidents of harassment and violence.

While we deal with this national emergency, civic leaders and people in positions of authority should refer to this virus by its clinical and factual name. It is likewise important for all Americans to come together and

stand against the anti-Asian and anti-Jewish blame-game that's playing out in some corners of society.

Scapegoating is something we never should tolerate, especially not now. We can and will come through this crisis but only if we work together.

A NATIONAL RECKONING ON RACISM

The Black Lives Matter movement, and the massive Black-led civil rights protests that have swelled up across the nation in the aftermath of the lynching of George Floyd by police officers in May 2020, launched a long-overdue reckoning over systemic racism in our country. The protests have been multi-racial, multicultural, and multi-generational—in many ways a manifestation of what is best about America. And the clarion call of “Black Lives Matter” that has echoed from the streets to all corners of society is not just a phrase; it is also an assertion of a basic moral truth and a straightforward demand for racial justice in this country. It is a call that must be answered with solidarity and compassion over division and hate.

As an organization founded to fight hate, ADL stands in solidarity with this

racial justice movement. That is because Black lives matter. Period. There should be no disagreement or dispute over this simple proclamation of humanity. And yet the need to assert that Black lives matter arises from repeated instances of violence against Black people, often at the hands of law enforcement officers.

Trayvon Martin. Tamir Rice. Michael Brown. Rekia Boyd. Eric Garner. Philando Castile. Sandra Bland. Stephon Clark. Layleen Xtravaganza Cubilette-Polanco. Elijah McClain. Ahmaud Arbery. Rayshard Brooks. Breonna Taylor and

George Floyd. These and so many other names will be forever tied to this moment, now movement, of reckoning.

The Black Lives Matter movement has gained unprecedented momentum in recent months in part because it is not owned or controlled by a specific organization or leaders. It is Black-led and radiates through the grassroots across this country, engaging every age and demographic, and across political, racial, religious, and geographic divides. This may be the largest protest movement in American history; it will, we hope, be a lasting inflection point in the nation's long fight for civil rights.

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This decentralized, grassroots phenomenon has had broad reach. Countless churches, mosques, synagogues, and temples have mobilized under BLM banners. Black communities are leading this movement, including Black Jews who are active members of our diverse Jewish community.

As it was written more than 100 years ago, ADL remains committed to our historic mission to “stop the defamation of the Jewish people and secure justice and fair treatment to all.” This compels us to mobilize our resources and har-

ness our capabilities in support of the Black Lives Matter movement. And so we are actively supporting it, whether advocating for legislation to combat police brutality and voter suppression, participating in litigation, working inside and outside our own organization to educate ourselves about institutional and structural racism, and monitoring and reporting on white supremacists and other extremists who seek to manipulate and undermine the Black Lives Matter movement.

At this pivotal moment we must recommit to dismantle the systemic racism that runs so deep in our society. When we engage in this struggle with

our full selves, we are true to ADL's timeless mission. And we help make America a better country for all.

BATTLING WHITE SUPREMACY

More than a year ago, in August 2019, a white supremacist drove for 10 hours, walked across a

Walmart parking lot in El Paso, Texas armed with a semi-automatic rifle and opened fire, before entering the building and carrying out a rampage that would ultimately leave 23 people dead and 23 more injured. The attack was the deadliest white supremacist at-

tack in the United States in more than five decades.

The shooter told law enforcement he intended to kill as many Mexicans as possible. He called his attack a response to “the Hispanic invasion of Texas” and said that he was defending America from “cultural and ethnic replacement brought on by an invasion.”

President Trump has used the word “invasion” to describe the influx of immigrants coming into the United States in numerous tweets over the last four years. In June 2018, he wrote, “We cannot allow all of these people to invade our Country. When somebody

It's just not just the words of those in positions of power that have influence and inspire hate. The systemic demonization of immigrants is also glaringly apparent in America's political and national discourse.

comes in, we must immediately, with no Judges or Court Cases, bring them back from where they came.”

These two statements are no mere coincidence; and they are not just two sentences put together to score political points and seek only to cast singular blame. Rather, they demonstrate that the language, rhetoric and tone of our nation’s leaders, most importantly the American president, can have consequences—deadly consequences.

It’s just not just the words of those in positions of power that have influence and inspire hate. The systemic demonization of immigrants is also glaringly apparent in America’s political and national discourse. Every day, scores of TV and internet pundits go on their non-stop tirades, consistently characterizing as “invaders” the men, women, and children fleeing dangerous conditions in their countries to seek asylum and safety in the United States. These words too, do not fall on deaf ears.

Unchecked hatred and normalization of the denigration of another race, ethnicity, religion, or culture ultimately leads to the events we witnessed in El Paso a year ago. We know this because, among other reasons, the perpetrators tell us so.

Many of the anti-immigrant views left behind in the Walmart shooter’s manifesto—rising non-white immigration, fear of race mixing, changing demographics—were also part of racist statements and posts made by other white supremacist murderers, including the convicted killer who claimed the lives of 51 Muslims in two mosques in Christchurch, New Zealand. Then,

there is the person who killed 11 Jews in a Pittsburgh synagogue. He told police the Jews were to blame for increased non-white immigration to America.

Investigators say these two attacks influenced the gunman who killed one woman and wounded many others in a Poway synagogue because he blamed Jews for the alleged “genocide” of the “European race.”

The bottom line: white supremacists in America are emboldened, increasingly violent, and still present a significant danger to society. The data bears this out. In 2019, right-wing extremists were responsible for the vast majority of extremist-related murders in the United States. ADL’s annual Murder and Extremism Report found that of the 42 extremist related murders committed in America in 2019, 38 were committed by individuals subscribing to various right-wing ideologies, including white supremacy.

The bottom line: white supremacists in America are emboldened, increasingly violent, and still present a significant danger to society.

As we seek to move forward while honoring the lives and memories of those innocent victims who were taken from us by hate, we must stand united against our common enemy, racism, hate, and white supremacy. And we must stand with our allies in courageously calling to account those who promote it, in whatever form they attempt to disguise it.

EQUAL VOTING RIGHTS

The right to vote remains fundamental to American democracy. But the COVID-19 pandemic has underscored and amplified

existing challenges in keeping elections safe, fair, and accessible. And it has created new challenges in doing so, highlighting the need for widespread access to alternatives to in-person voting.

The 2020 election comes at a time when the American electorate has rarely been more polarized. Views once considered extremist, that would have met with outright rejection in the past, are now being adopted and espoused by mainstream candidates.

Appeals to prejudice and bigotry in political campaigns remain a cause for concern. And ADL’s Center on Extremism is tracking efforts by extremists to gain influence in the 2020

elections, either by running for office themselves or by taking advantage of social media to spread disinformation and hateful messages.

Democracy depends on ensuring that every voter has an equal and fair opportunity to cast a ballot, free from restrictions that have a discriminatory impact. There is, perhaps, no more

fundamental right in a democracy than the vote.

ADL will be supporting and promoting nonpartisan efforts to encourage voting and make it more accessible for all U.S. citizens, so

that everyone is able to take part in this critical aspect of our democracy. This is especially important at this time, as we work to overcome obstacles that could negatively impact voter turnout.

In one example of how this will play out tangibly on the local level, ADL recently announced a partnership with the National Urban League, the storied African-American civil rights organization, to begin work on a pilot voting rights project in Philadelphia that we hope to model in other cities across the country. The project will use young leaders involved in both groups to help recruit poll workers and produce mailers and social media videos encouraging people to vote.

Democracy depends on ensuring that every voter has an equal and fair opportunity to cast a ballot, free from restrictions that have a discriminatory impact.

SOCIAL MEDIA ACCOUNTABILITY

In July 2020, thousands of businesses joined an advertising pause on Facebook in opposition to its continued refusal to seriously address hate, racism, antisemitism, and disinformation across its platform. This action was the culmination of months of concerns being raised with, but not adequately addressed by, Facebook's leadership about the rampant hate on their platform. Over the past few years we have raised these issues consistently with Facebook and offered various opportunities for them to address hatred and make product modifications to prevent it from spreading, only to be met with denials and obfuscation.

We also had seen the consequences of inaction. In June 2020, a federal courthouse security officer was murdered by two individuals who, according to federal prosecutors, used a Facebook page to coordinate their plot in furtherance of the extremist "boogaloo" movement—a term that has become shorthand for preparations for a coming civil war. Since that incident, Facebook took some steps to remove "boogaloo" accounts from its platform; it shouldn't have taken the loss of an innocent life to stir them to action. Facebook's decisionmakers know this

type of behavior is happening on the platform but inexplicably fail to intervene.

This type of inaction catalyzed the Stop Hate for Profit movement. A coalition of non-profit organizations—ADL, NAACP, Color of Change, Free Press, LULAC, Common Sense, Sleeping Giants, Mozilla Foundation, and National

Hispanic Media Coalition—came together due to shared concerns about Facebook's failure to act decisively against extremist content and hate speech spreading on its platforms.

But Facebook's policies have done more than simply surrender the

largest media platform in history over to disinformation and racist, xenophobic, and antisemitic content. Their algorithms actually promote this kind of content, recommend it to users, and allow product advertisements to appear alongside it.

Yet the decisionmakers at Facebook refuse to accept responsibility for the role they've played in fueling divisiveness, extremism, and hate—even though they know this to be true. Their own internal studies concluded that "our algorithms exploit the brain's attraction to divisiveness." But when Facebook learned that taking action against divisiveness on the platform could limit growth and reduce

When Facebook learned that taking action against divisiveness on the platform could limit growth and reduce profits, the company shelved its own internal recommendations for change.

profits, the company shelved its own internal recommendations for change. In fact, employees across Facebook have been in open revolt against the questionable decisions of Mark Zuckerberg and other executives. One employee who recently resigned in protest offered the assessment that "Facebook is hurting people at scale."

At this point, anyone paying attention can see that Facebook is damaging our democracy and society. After years of can-kicking and foot-dragging, the inaction spurred Stop Hate for Profit to ask businesses to pause advertisement spending on Facebook for one month in order to motivate the company, once and for all, to address rampant hate and disinformation on its platforms.

Since late June 2020, thousands of companies have heeded the call. This has included some of America's most prominent brands: Ford, Verizon, Walgreens, Pfizer, Starbucks, Microsoft, Hershey's, Dunkin, Levi's, and countless other prominent brand names have signed on. More than one hundred non-profits, labor groups, and religious organizations joined in solidarity with the movement. Tens of thousands of individual consumers from around the world also demonstrated solidarity.

Remarkably, though, it isn't Facebook that has taken the most substantive actions since the start of this ad pause—it

has been other tech giants like Twitter, Reddit, and YouTube.

That's why it's so important that Facebook's policies on hate content, perpetuation of racism, and spreading of disinformation continue being brought to light. The company controls four of the six social platforms with more than 1 billion users: Facebook, Instagram, Messenger, and WhatsApp. As a platform that doesn't just post content, but recommends and promotes specific posts and groups to optimize engagement, its policy decisions are massively influential to our civil society and democracy. And sole decision-making power over those issues comes down to one person—Facebook CEO and Chairman Mark Zuckerberg.

Moreover, Facebook presents a specific challenge to American government in the continued obfuscation, empty promises, and misinformation its representatives offer during Congressional hearings and in other fora. For example, Zuckerberg testified before the U.S. House of Representatives in 2018 that "we do not allow hate groups on Facebook overall. So if there's a group whose primary purpose or a large part of what they do is spreading hate, we will ban them from the platform overall." That statement was false then, and it's false today.

So, who can effect change at Facebook? Ultimately the responsibility lies with Zuckerberg, who makes the

final decisions at the company based on its unique governance and ownership. But it likely will take everyone who has a stake in civil society and democracy to influence that change. Corporate advertisers, issue-based non-profit organizations, faith-based institutions, and countless individual consumers all have the potential to play a part.

But ADL has repeatedly advocated that the U.S. Congress should join that effort, too. Recognizing that the gears of regulation turn incredibly slowly, we nonetheless believe that America's elected officials could be doing more to speak out against Facebook's problematic impact on our society. We've outlined some of the simple steps that Facebook could take today to make meaningful change.

If Facebook won't listen to more than a thousand advertisers, hundreds of public interest organizations, and thousands of users, maybe greater governmental attention and action is needed. That effort can make serious inroads by holding Zuckerberg accountable and asking him why he continues to put profit over people.

At ADL, we continue to collaborate with Silicon Valley to stop cyberhate. ADL was among the first to identify the threat of Zoombombing as it became a tool of trolls, then extremists, to harass Jews and other minorities online. We

offered tips to the public but also worked directly with Zoom's management on a series of product improvements before Passover and Easter, when so many of us would be moving to virtual seders and services. It worked, and Zoom's chief product officer then participated in a highly-viewed ADL webinar. Today, our Center on Technology and Society continues to partner with other social media companies to ensure that their platforms are working to expunge hate.

PIVOTAL MOMENT

Truly, we stand at a pivotal moment in American history. By every measure, COVID-19 is a disaster, the kind of crisis that strikes once every one hundred years. Everyone is impacted, especially vulnerable communities. The human cost is stunning. Lives lost almost without warning. Loved ones left behind to mourn in isolation. And while the human toll is almost incalculable, the economic devastation is very calculable: trillions of dollars and climbing.

How it ultimately will affect us or any organization in the Jewish and civil rights worlds is yet to be seen. But there is truth in the statement that people and organizations can be forged in crisis. If you are clear on your principles and put them into action across what matters most to your organization, I believe that you will have the best shot at not only coming through this time, but coming through stronger. ●



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FACING UP TO THE TRUTH

A CONSERVATIVE PERSPECTIVE

Todd Huizinga

WHY is America experiencing such a profound crisis? Why are the country's divisions becoming so destructive, so seemingly unbridgeable? Why are we "coming apart" to an extent far in excess of even the dire economic and cultural polarization that the sociologist Charles Murray documented in his book of that title in 2012?

An insidious stealth ideology is at the core of the country's predicament: a poorly understood postmodernism has permeated the social institutions whose ideas and pronouncements dominate the American cognitive environment. In academia, the media, the arts and entertainment, in many of our governing institutions from local to national, even in a good portion of the business world, Americans subconsciously see truth as arbitrary and subjective: a tool used in power games and for political advantage.

Objective truth does not really exist, and anyone who claims it does is in effect trying to construct a narrative for his own political, economic, or social advantage. Real truth is whatever each person makes it out to be. Whatever each individual or social group wants to be true *is* what is in fact true for that individual or group. Truth must correspond to our desires, and to hell with the idea that truth must correspond to reality.

THE RAGE AGAINST REALITY

This disregard of truth has expressed itself in two primary ways. The first is the postmodern transformation of a belief that has always been deeply ingrained in the American cultural landscape: the idea that each individual is the master of his own political fate; that no government has the right to impose a certain religious faith, a particular worldview, or set of opinions on its citizens.

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"With malice toward none; with charity for all..."

With the growing secularization of our cultural elites and the general waning of religious faith in the last half of the twentieth century, this ideal of individual freedom from undue government interference—basic to the American experiment in liberty—came unmoored. It lost its grounding in the Judeo-Christian view of the human person as created by God with certain unalienable rights. In the resulting free-floating moral confusion, it then morphed from a primarily political right into the *moral* right of everyone to decide *everything* for himself. Each person suddenly had the right to choose—essentially regardless of any external considerations or constraints—

how she should live, what she should believe, what she should recognize as true and real.

In principle, if not in fact, whatever decision anyone made about any question regarding her- or himself was ipso facto a good and right decision. And the cultural elites led the way into this abyss. As the U.S. Supreme Court Justice Anthony Kennedy famously wrote in 1992: "At the heart of liberty is the right to define one's own concept of existence, of meaning, of the universe, and of the mystery of human life." There you have it: the heart of liberty—the heart of the American

experiment—was henceforth to recognize the right of every person to decide what's true for himself. To claim that there might be any authoritative truth regarding existence, meaning, the universe, and the mystery of life that might override any individual's personal preference was to be anti-freedom, anti-democratic, anti-American.

Shortly after the idolization of individual choice became the “heart of liberty,” the disregard of truth found a second, now even more virulent, avenue of expression. Ironically, *individual* choice came to be complemented by what passes for *group* choice, in the form of identity politics. In fact, one can identify not just one, but two ways in which the quasi-collective group focus of identity politics consummates radical moral individualism.

First, identity politics simply “elevates” individual choice to the next level, the group level. Just as each individual decides for himself what is true for him, each group also gets to decide for itself what is true for it—what constitutes its identity—and to brand those who disagree as racist, homophobic, xenophobic, transphobic, or whatever “-phobic” might happen to be in fashion on any particular day or at any particular time.

The second way that the cult of the group arises directly out of the cult of the individual is that identity politics is the desperate attempt to counteract the breakdown in human relations that has resulted from the glorification of individual choice. To paraphrase what Mary Eberstadt points out so well in her book *Primal Screams: How the Sexual Revolution Created Identity Politics* (2019): identity politics is the primal scream of those who live in societies that have

Americans subconsciously see truth as arbitrary and subjective: a tool used in power games and for political advantage.

sacrificed family, community, and all other human ties that bind at the altar of unfettered individual choice.

We thought we were getting liberation, the “heart of liberty,” but we got isolation instead. We reaped the consequences of putting individual autonomy, the right to choose for myself who I am, what is true for me, and how I want to live, above all other considerations. Now that we no longer allow the ties that bind us—such as family, church, community, and tradition—to inhibit our right to decide for ourselves who we are, these human connections have weakened and, in too many cases, disappeared.

In our liberation, we discover that we are now utterly alone. Under these circumstances, it is only logical that a new collectivism has arisen.

AN UNBRIDGEABLE DIVIDE

And now that a postmodern worldview has taken root on the left side of the political spectrum in the United States, we find that we no longer have societies in the West in which most everyone, on both the center-right and the center-left, adheres to a common world view that corresponds to reality. Instead, we have the traditionalists on the right who hold to a basically Judeo-Christian view of an unchanging human nature embedded in tradition, religion, community, and family—the worldview that grounds self-government in the West. And on the left—and increasingly on the post-religious right—we have postmodern

progressives who, whether they realize it or not, are committed to a radically secularist vision of the virtually unlimited malleability of human nature according to each person's choice: essentially independent of traditional institutions and social relations.

What is truth? There is no truth. Thus, in seeking to find some sort of basis upon which we can live together despite our differences in political perspective, we can no longer safely appeal to anything at all as true for all of us. It has become oppressive to assert that

anything could be objectively true for everyone, regardless of how they might “feel.” That's why our polity is threatening to unravel.

Another factor that *Commentary*, the American magazine of conservative Jewish thought and opinion,

What makes the situation even worse is that most postmoderns are blissfully unaware of the ideology that they hold. They've never carefully thought about it. They've just subconsciously imbibed it from the cognitive environment that surrounds them.

recently called “the great unravelling” is that, if you've committed yourself to taking your own desires as the measure of truth in disregard of obvious reality, you need to be energetic, determined, and ruthless in asserting your right to decide what's true against the possibility that others will look at reality and come to a different conclusion. Embittered

rancor is part of the package.

The vehemence and hatred in our political culture, as exemplified by this summer's riots in the United States, the lawless tearing down of statues, the ritual shouting-down of the police are simply physical manifestations of this rage against reality, this will to destroy the foundations of society as it is, to tear down what exists just because it's there. And physical violence is complemented by a politics of personal destruction that has now spun treacherously out of control: in every area of life, people have been forced out of their jobs,

suffered public shaming on social media, and been “cancelled”—shunned into silence—for uttering even one opinion that does not meet with the approval of the left, or even for formulating “correct” opinions in the wrong way.

In an America that has always cherished freedom, we are witnessing how deeply totalitarian it is to deny the obvious fact that authoritative truth exists, and that valid truth claims must correspond to reality.

It is very important to note that what makes the situation even worse

is that most postmoderns are blissfully unaware of the ideology that they hold. They’ve never carefully thought about it. They’ve just subconsciously imbibed it from the cognitive environment that surrounds them. And since their stealth ideology rules out all opposing truth claims (denying their validity, as it were), it is out of bounds—impolite at best and “hate speech” at worst—to call their postmodern ideology by name and subject it to critical examination.

Not to dwell on the obvious, but this type of arbitrary, ever unpredictable relativization of truth isn’t exactly a recipe for peace and harmony in a diverse society.

THE SWEET DREAM OF PRINCIPLED PLURALISM

Where do we go from here? How do we move forward in a society divided into two camps holding completely irreconcilable, mutually opposing worldviews? And

Attributing goodwill to the other side in the absence of actual goodwill is very dangerous in our situation: it lends legitimacy to a subversive attack on the system of government and way of life we are trying to preserve.

in which, I might add, the destructive worldview—the *wrong* worldview—is the one that rules in our opinion-forming institutions, and thus exercises such immense power over the hearts and minds of everyday people?

The instinct of many people, motivated by a

laudable desire to be tolerant and nice, is to try to accommodate our differences in some sort of Cold-War-style peaceful coexistence. One approach of this type that is popular among some conservative-to-moderate Protestants is called “principled pluralism.” It may be defined as follows:

Principled pluralism is a system in which government, civil society institutions, and citizens recognize a society’s religious and worldview diversity; in which they uphold and respect the right of diverse communities to bring their core convictions to bear in the public square, that is, in their political, social and cultural engagement.

All things being equal, I would wholeheartedly support the accommodating approach that seeks to get along in peace with the other side. But the problem is, it won’t work. The advocates of “principled pluralism” assume goodwill on all sides. They assume that most all the participants in the public square are open to reason and reasoned argument.

Unfortunately that is not the case, and those who attempt to practice “principled pluralism” are in effect playing into the hands of the postmoderns. Attribut-

ing goodwill to the other side in the absence of actual goodwill is very dangerous in our situation: it lends legitimacy to a subversive attack on the system of government and way of life we are trying to preserve. That’s what too many center-left liberals are doing, desperately trying to curry the favor of the postmoderns.

But this type of appeasement will never succeed. It will only give the movement that is already tearing us apart more room to breathe, more time to develop further an ideology and praxis that can only become more destructive. The conservative thinker (and, as it happens, a convert

to Eastern Orthodoxy) Rod Dreher hit the nail on the head when he wrote that “a revolution’s ultimate power comes from its being underestimated, tolerated, or accepted by those outside its ranks.”

Pluralism is exactly what the new progressives are trying to destroy. We who believe in truth must embrace pluralism in the political arena, both because it recognizes the fact of diversity, and because political diversity itself is good.

THE WAR FOR CIVILITY

But the fact that “principled pluralism” is the wrong approach does not mean that we should reject pluralism itself. Pluralism is exactly what the new progressives are trying to destroy. We who believe in truth must embrace pluralism in the

political arena, both because it recognizes the fact of diversity, and because political diversity itself is good.

Every human being is flawed and limited in his knowledge. Left unchecked, human beings tend to pursue selfish ends. Power that is concentrated in too few hands—be it political or ideological or any other kind of power—tends to lead to tyranny. Since I am a Christian, for example, I acknowledge human sinfulness. I know that anyone, even the people I myself agree with, would ultimately lord it over others if they ruled in a one-party state. So the existence of diverse groups representing differing

perspectives, along with separation of powers and checks and balances, is an essential characteristic of any free and just society.

So the question for our day is: what does it mean to be a pluralist in a context in which our opponents are dead set against pluralism and have twisted, distorted, and redefined all the terms commonly associated with pluralism—tolerance, diversity, inclusiveness, equality, freedom, choice?

As I have already indicated, I think first of all a pluralist must realize that the views of many of our

progressive opponents can no longer be accommodated in a pluralistic system, as the purveyors of “principled pluralism” desperately hope. We are in a political and cultural war, fighting to maintain a pluralist polity that guarantees freedom of speech, freedom of religion and conscience, freedom of the press, and our other fundamental liberties against the direct attacks of the progressive left. Trying to reach an accommodation with those who want to destroy pluralism won’t work.

We are in a political and cultural war, fighting to maintain a pluralist polity that guarantees freedom of speech, freedom of religion and conscience, freedom of the press, and our other fundamental liberties against the direct attacks of the progressive left. Trying to reach an accommodation with those who want to destroy pluralism won’t work.

The editors of *Commentary* put it as well as anyone: “Through the violent politicization of all aspects of American life, the

mob aims to destroy the country as we know it and replace it with a new one—an anti-America that trades speech for violence, police for thought police, a free press for an indoctrination network, and the respect due the citizen for the obeisance owed the mob. There is one way to stop the unraveling: refuse the mob.” We have to stop allowing the divisive ideology of identity politics to separate people according to race, gender, and other categories. We must dare to call out the totalitarian brutality with which the post-

moderns attempt to ostracize and destroy other people because of their opinions. Such brutality must no longer be tolerated as a legitimate aspect of the debate in the public square. The “culture war” we find ourselves in is a war for civility and a war against brutality—and it is a battle that we who strive for peace must fight.

REASSERTING TRUTH

We have to realize we’re at war, and we have to fight. But the only chance we have to win—if we define “winning” as preserving the American

system of self-government—is if we fight with the weapons of peace. We have to propagate and practice charity—that “benevolent goodwill toward or love” of others that is necessary to maintain freedom and justice in a pluralist society.

This entails reasserting a basic truth upon which the American political system is founded, with an emphasis on the charitable attitude that adherence to that truth entails.

That basic truth, boiled down to its essence, is this: there are two sides to human nature. All

human beings are, on the one hand, in possession of unalienable dignity, and thus possess unalienable rights. The U.S. Declaration of Independence states that it is the primary duty of government to secure those rights for its citizens:

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed.

At the same time, all human beings are flawed. We are fallible and subject to the temptation to abuse power. This is why every functioning

democracy establishes separation of powers and checks and balances. Because human beings are unchangeably subject to corruption and abuse of power, the reach of government must be limited and divided into multiple

branches, so that the flawed human beings who hold governmental power cannot impose a tyranny on everyone else.

We are all of immeasurable worth, yet we are all flawed. The great Russian novelist Aleksandr Solzhenitsyn, one of the past century’s great

foes of totalitarianism, put it as follows: “the line separating good and evil passes not through states, nor between classes, nor between political parties either—but right through every human heart and through all human hearts.” This two-sidedness is at the core of human nature, and it is the recognition of that truth that grounds the American system of government. The *Federalist Papers*, in which the founding fathers James Madison, Alexander Hamilton, and John Jay lay out the rationale for the United States Constitution, is suffused with this view of human nature.

Understood and applied correctly, this truth about human beings encourages in everyone a charitable attitude toward others, an attitude that

acknowledges the dignity of all—even one’s political opponents—while recognizing the flaws in oneself.

Abraham Lincoln’s Second Inaugural address, spoken on 4 March 1865 as the Civil War—to this day the bloodiest war in American history—was drawing to a close (and only 41 days before Lincoln’s assassination at the hand of a political adversary), couldn’t be more relevant to America’s current situation: “With malice toward none; with charity for all; with firmness in the right, as God gives us to see the right, let us strive on to finish the work we are in; to bind up the nation’s wounds...to do all which may achieve and cherish a just and lasting peace among ourselves, and with all nations.”

It is this charity toward all and malice toward none that we need to practice if we want to stop and reverse the great unravelling that we are experiencing and move forward in a way that can restore our unity as Americans.

POLITICS AND THE PURSUIT OF TRUTH

It is absolutely essential to understand that this basic assertion about human nature—namely, that we each possess an ineffable dignity that nothing can take away and at the same time, that we are flawed, fallible, and limited in our knowledge—is a useful political tool only because it is true.

And in this postmodern age in which novelty is one of the highest values, we need to make the case that this centuries-old insight remains compellingly true and necessary today.

In fact, conservatives must not shrink from the challenge of making the case for this view of human nature as a truth that is so fundamental that it can legitimately claim the status of a proposition upon which we build our other beliefs, rather than one that we can accept only if it is somehow independently verifiable. This is not a rejection of reason, like the postmodern rejection of reason. Rather, it is simply the acknowledgment that all reasoning is based on pre-suppositions which cannot be “proven” independently, but which form the necessary premises on the basis of which we reason.

So how do we know this two-sided view of human nature is true? To put it simply, it is the view that seems best not only to correspond to reality, but also to explain it and give it purpose. First of all, our moral intuition tells us it is true. We all have a conscience: an innate sense of right and wrong, of true and false. It is that faculty that the great theologian John Calvin called the *sensus divinitatis*, the innate sense of divinity that no human being can escape. Also, anyone is who is at all self-reflective cannot but acknowledge the fact of this two-sided

human nature in herself and other people that she knows. Finally, to circle back to its usefulness, and to how its usefulness is evidence of its truth, this view of human nature *works*. It corresponds to political reality. It has undergirded what is arguably the most successful and just form of government in world history, namely, republican-democratic self-government under the rule of law. Radiating out from the Judeo-Christian West, it has resulted in free societies in which human rights are respected, social peace is promoted and the weak and powerless are protected. Our *sensus divinitatis* tells us—and reliably so—that this is good; these are the characteristics of a good polity that respects truth.

By contrast, the problem with post-modernist progressivism is that it is rooted in a false view of the world. If a worldview does not correspond to reality, it will have dire consequences. And the postmodern view fails at its very root to correspond to reality. In fact, it is fundamentally incoherent: if you deny truth, then how can you come up with a worldview that is true or that corresponds to reality? If a worldview isn’t true, then it’s hard to deny that it’s false. And a false worldview is a worthless fantasy at best, a damnable lie at worst.

For example, one might underestimate Justice Anthony Kennedy’s famous “mystery of life” passage as a

misguided but essentially harmless example of touchy-feely, New-Age fluff: “At the heart of liberty is the right to define one’s own concept of existence, of meaning, of the universe, and of the mystery of human life.” But that ignores the fact that the “mystery of life” missing undergirds the Court’s finding in *Planned Parenthood v. Casey*, the 1992 Supreme Court decision to uphold the constitutional right to abortion. It is the central plank in the Court’s justification of the “right to choose.” And, whatever your preferred views on abortion, it is undeniable that the result of the Court majority’s assent to this view that “the heart of liberty” is to decide for oneself what is true has been the death of millions of living beings, whether you “choose” to call them pre-human or non-human fetuses or whether you “choose” to call them unborn children.

It is no coincidence that abortion, euthanasia (expanding inexorably—in the real world—from terminally ill adults to the chronically ill, to people with dementia, to depressed and lonely people, to confused and innocent children), proposed healthcare rationing, increasing tolerance for infanticide, and all other kinds of violence flow out of a worldview that denies truth. If truth is something that can be freely chosen, then power is all that counts. Those who are weak and powerless will not be able to exercise their right to choose; they will be shunted aside at the whim

of the powerful. Pope John Paul II called it what it is: the culture of death.

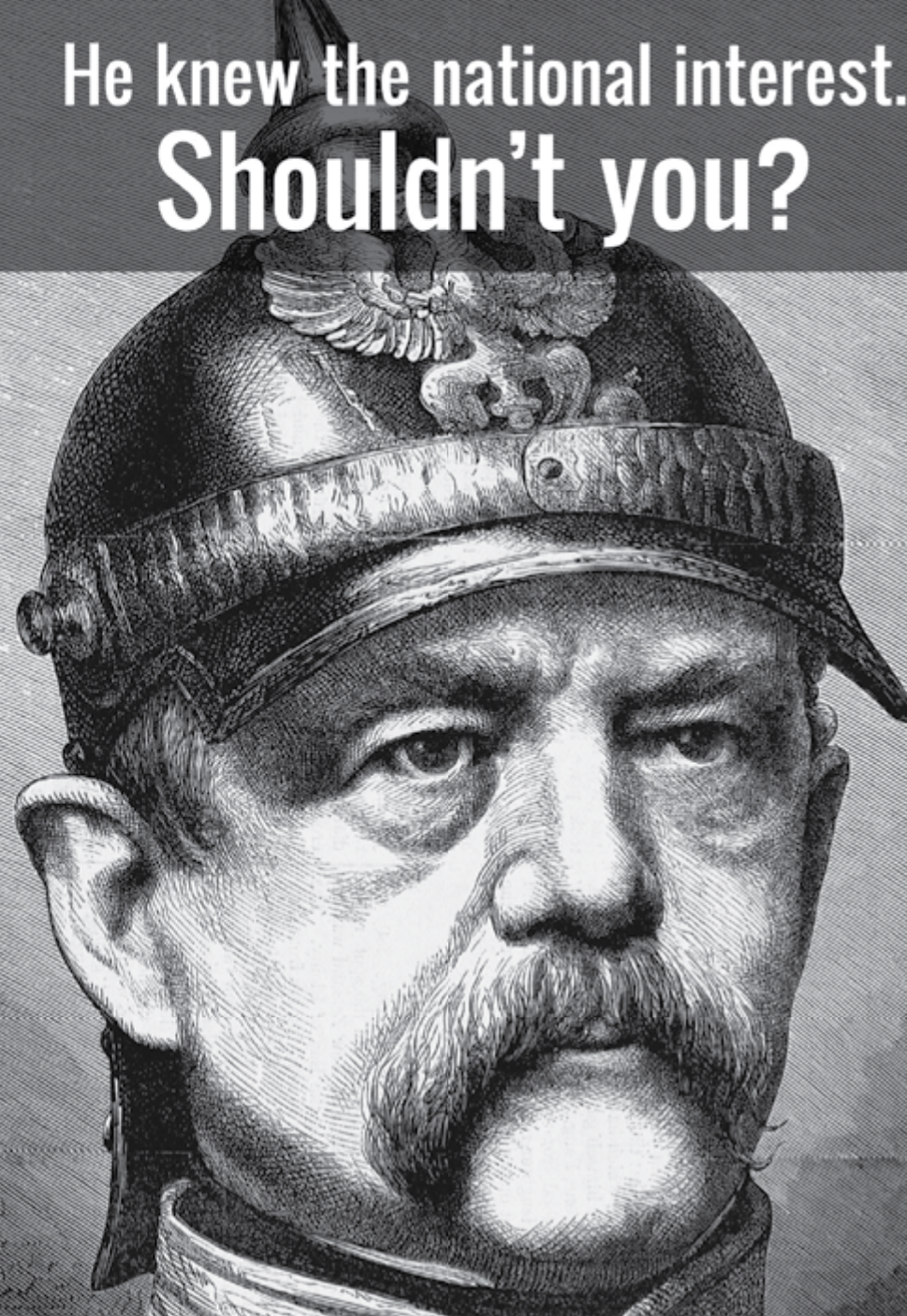
As you have noticed, I believe that the battle that we must fight in the United States and, indeed, in all of postmodern Western civilization, is not first and foremost a battle for a certain political perspective. In fact, on any given political question, the other side might have it right and conservatives might be wrong. Maybe we should, for example, increase the role of the state in healthcare, say, or peacefully remove statues of particularly controversial historical figures. Certainly, most American conservatives and progressives agree that we should do all we can to eliminate discrimination on the basis of race or sex, and reasonable people understand that on any such complex issue, the devil is in the details. So the battle that we are unavoidably embroiled in is not a fight for a particular political perspective. Rather, it is a battle for truth. To overcome the profound polarization of American society and politics, we need to renew a shared dedication to the common pursuit of truth across political and social divides, and a recognition of the limits

of politics. That will require that identity politics, at least in its current malevolent form, be defeated and consigned to the proverbial dustbin of history.

*If truth is something
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Conservatives should not be afraid to acknowledge the grim reality of the culture war that is raging in the public square. They should refrain from joining the beleaguered center-left liberals and the equally harried “principled pluralists” in shouting “peace, peace” when there is no peace. But it is key that in our political engagement, we have to become *less* political. Politics comes *after*, not before, our calling to be human beings; to be people who value other people—all other people—as we value ourselves. Though the dated terminology might now be considered politically incorrect, the wisest possible response to identity politics and the other contrivances of political postmodernism is contained in a children’s hymn written in the early twentieth century, one that expresses our common moral intuition, our *sensus divinitatis*, with childlike clarity: “Red, brown, yellow, black, and white, they are precious in His sight, Jesus loves the little children of the world.”

He knew the national interest. Shouldn't you?



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CIRSD Participates in the 2020

The annual meeting of the Silk Road Think-tank Network (SiLKS) took place online on September 29th, 2020, with the featured participation CIRSD represented by CIRSD President **Vuk Jeremić**.



Mr. Jeremic also participated in the meeting of the SiLKS Steering Committee, having been elected to a second term of the executive arm of the network. The SiLKS Steering Committee is now headed by two new Co-chairs: Minister **Ma Jiantang**, Secretary of the Party Leadership Group of the DRC, and **Jusuf Wanandi**, Co-founder of the Indonesian Center for Strategic and International Studies.

Both meetings were presided over by SiLKS Secretary-General **Tao Pingsheng** and supported by the SiLKS Secretariat, which is hosted by the Department of International Cooperation of the Development Research Center (DRC)

of China's State Council. Minister Ma Jiantang also attended the plenary meeting and delivered keynote and concluding addresses. **Wang Xiaolong**, Director General of the Department of International Economic Affairs of the Ministry of Foreign Affairs, was the featured guest and addressed the plenary meeting.

The Meeting revised the "Silk Road Think Tank Network Guiding Principles" and accepted five new members and partners, namely the United Nations Conference on Trade and Development (UNCTAD), the United Nations Economic Commission for Africa, the African Capacity Building Foundation (ACBF), the Policy Studies

SiLKS Network Annual Meeting



Institute of Ethiopia, and Kenya's African Economic Research Consortium (AERC).

In his remarks, Mr. Jeremić said that "it continues to be an extraordinary privilege for CIRSD, a co-founder of SiLKS together with DRC, to be involved in this project—an idea first proposed by my good friend Minister Li Wei, the former President of DRC."

Mr. Jeremić also judged that "in this time of hastening international rivalries, the strategic ambition and scope of the Belt and Road Initiative is being met with accruing skepticism and anxiety in some quarters." He added that the SiLKS network of think-tanks is "uniquely positioned to help address some of the legitimate concerns and objections

SiLKS was jointly launched by the DRC and CIRSD in 2015. The network currently counts 59 members and partners, including 41 think tanks from around the world, 11 international organizations, and 7 multinational enterprises.

regarding BRI through its work plan—through diligent and careful study of BRI's potential for inclusive win-win cooperation." Mr. Jeremić concluded that "this is the central aim of SiLKS, and I would expect this will be done in accordance with the 'Silk Road spirit' of peaceful cooperation, openness, inclusivity, mutual learning, and honest dialogue."

More information can be found on the eSiLKS platform:

www.esilks.org

DEMOCRACY AND THE AMERICAS

Ernesto Araújo

THROUGH its efforts to increase economic openness, further a strategy of competitive international insertion, and work to foster a fully democratic American continent, President Jair Bolsonaro's administration aims to contribute—in the medium and long term—to building a stable, free, economically robust, and united America. This arduous and complex demanded, at the outset, that we rescue and consolidate Americanism in Brazilian foreign policy, something that, regretfully, had been abandoned in the past few decades.

The Americas are democratic. It is their fate, it is our fate. I refer to the American continent as one whole, comprising what is known as North, Central, and South America. The American nations, since the onset of their respective independence movements, were built on shared constitutional precepts that sought to guarantee to their peoples the observance of the founding

principles of human dignity, such as the right to life and liberty. Those principles would become, with the passage of time, pillars of democratic regimes on the American continent, as well as in other parts of the world.

However, successive decades brought about numerous civil conflicts that were not rarely followed by the establishment of politically authoritarian, economically centralized, and overall restrictive regimes. These circumstances prevented—despite the influence exerted by the North American example of development and prosperity—the full consolidation and practice of democratic principles in most of the countries of the American continent south of the United States. The results were nefarious in terms of political instability and economic impoverishment that seemed to feed off each other, condemning the countries of the continent—except those in North America—to a seemingly eternally-unfulfilled promise.

Ernesto Araújo is Minister of Foreign Affairs of the Federative Republic of Brazil. You may follow him on Twitter @ernestofaraujo.



Photo: The Brazilian Report

Brazil's president and foreign minister work together hand in glove

Some nations in our region succeeded in resuscitating the fundamental ideas that served as the underlying foundation of their political independence, and, by consequence, became more promising countries by consolidating the legal certainty and openness to the world that is necessary for sustainable development in the long run. Others insisted on following paths that proved, sooner or later, to be doomed to failure and that, frequently, resulted in new political cycles characterized by victimhood and resentment.

Auspicious political developments in recent years came about, unfortunately,

in parallel to an unprecedented example of socioeconomic and institutional self-destruction on the American continent. And yet, this singular configuration of circumstances represents an opportunity—perhaps a unique one—for continental convergence through the consolidation of a fully democratic, free, and peaceful Western hemisphere. As a result of this fortunate dynamic, the very expression “the Americas” could become an anachronism for a part of the world we will come to simply call “America.”

We speak of “the Americas” with ease, as if there were no geographic continuity in our continent

or as if the socioeconomic and institutional differences that exist between North and South were immutable and irreversible. No one says “the Europes,” “the Africas,” or “the Asias.” And yet, over the course of two centuries of

political independence on the continent, it has become customary, throughout the whole world, to refer to the continent in the plural form. This stems from the contrast between one America that is a stable, rich, and prosperous democracy and of “another” America characterized by a fragile

state of democracy (often corrupted or violated) and, therefore, poor and stagnant. Now, thanks to a confluence of favorable elements, the propitious moment has arrived to establish and crystallize, in this “other” America, the ideals of democracy, liberty, economic openness, and prosperity.

BRAZIL’S AMERICANIST DIMENSION

Brazilian foreign policy has always had an element of Americanism—a natural derivative of our geographical position. The first evidence of implementation of this strategy in the history of Brazil as a sovereign state was the quest for rapprochement with the United States of America right after our

declaration of independence, during the tenure of our first foreign minister José Bonifácio (1822-1823). The goal was to protect Brazil’s sovereignty from European imperialism.

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Historically, this Americanist outlook took many shapes. It gained momentum, for example, in the inter-American congresses of the nineteenth century, which led to the Washington Conference (1889) and the Third Pan-American Conference (1906). It also led to the institutionalization of inter-American coordination in the post-World War II period, most notably in the signing of the Inter-American Treaty of Reciprocal Assistance (1947) and the establishment of the Organization of American States (OAS) in 1948.

These initiatives evolved into South and Latin-American integration efforts, which took their first steps in the 1960s under the auspices of the Latin American Free Trade Association (LAFTA). They then accelerated in the 1980s and 1990s, under the impetus of regional endeavors, among which MERCOSUR came to attain particular prominence. Integration came to the fore due to the gradual establishment of a customs union among the associate states as

well as the legally binding effects of MERCOSUR’s Ushuaia Protocol, more specifically the “democratic clause” of the trading bloc, according to which the rupture of the institutional order constitutes an unacceptable obstacle for the permanency of the affected associate state in MERCOSUR. Therefore, the country struck by democratic rupture is suspended from the integration process.

In the past two decades, the Americanism vector present in Brazilian foreign policy,

as well as of its other regional partners, had, however, taken on a clear anti-United States stance. This has transformed valid and necessary regional initiatives into efforts to remove the United States from as many cooperation spaces as possible in our region. It was a self-destructive course of action, more focused on rhetoric, victimhood, and resentment than results and democratic gains and economic growth.

This “anti-U.S. Americanism” trend was strongly influenced by a world-view that permeated leftist parties in the region in the 1990s. These parties considered Brazil and the countries of our regional vicinity as fertile grounds for the implementation of new forms of statist regimes, with protectionism and

socialism as their core principles, even after the collapse of the socialist model in East-Central Europe and the Soviet Union. The most prominent regional example of the political tide following this line of thought manifested in

the São Paulo Forum, a conference of socialist political parties and organizations launched in 1990.

The São Paulo Forum has served as the ideological matrix of the left and Latin American protectionist statism for the past three

decades, exerting strong dominance and nefarious influence on areas such as political discourse and education. It has become the backbone of leftist parties that came to power in the region, conniving with and fostering intertwining political projects of perpetual power and transnational criminal activities.

Because of the rise to power in the region of parties and movements associated with the Forum, the original and most important purpose of regional integration initiatives—namely, a competitive insertion of the South American economies in transnational value chains—lost momentum in favor of new priorities of a supposedly “social” character. The only outcomes of this were more protectionism, bottlenecks, external strangulation,

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and weak and unsustainable growth. This was followed by stagnation and the gradual corruption of both economic and democratic institutions.

Governments whose rhetoric has always been marked by self-commiseration with regards to the United States thwarted projects designed to strengthen the competitiveness of our region's economies. The result of this course of action was the weakening of legal certainty for investors and investments, and of the very institutions that form the state. In some countries, fortunately, this trend turned out to be doomed. In others, these political movements, once in power, succeeded at institutional dissolution. In the clearest case, Venezuela, they managed to erect a destructive dictatorial regime that feeds on the hunger and poverty of its own people, and that still finds support in sectors—that are fortunately ever more marginal—of our countries' politics.

BRAZIL'S REGIONAL LEADERSHIP

Brazil has escaped a similar fate thanks to the electoral results of 2018, a historic moment in which the Brazilian people, through a fully

transparent democratic process, rejected institutionalized corruption and a false identity based on victimhood and the belittlement of our nation. Brazilian citizens firmly stated their desires and ambitions for their country, their

region and, ultimately, the American continent to be free, peaceful, and democratic.

Public and private institutions, as well as civil society from across the entire American continent, should act in coordination and in defense of freedom, peace, order, and sustainable economic development in order to enhance our common competitiveness in the international market. Let

us work, prosper, and grow wealthier without ever ceasing to contribute, cooperate, and collaborate. Without teamwork encompassing all the countries of the American continent, it will not be possible to achieve long-term and equitable, sustainable development.

We have taken a decisive step in the conformation of a regional group of democracies with the creation, in March 2019, of PROSUR—an agile and modern mechanism committed to the defense of freedom and the rule of law in South America.

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Established by the presidents of Brazil, Argentina, Chile, Colombia, Guyana, Ecuador, Paraguay, and Peru, the fundamental values that underpin the group are: democracy, the rule of law, and human rights.

In order to honor these principles, member states have decided to speak up on three occasions in support of democracy in countries of the region. In 2019, they issued two statements condemning violent acts that took place, respectively, in Ecuador and Chile. There were also calls for domestic dialogue, in light of evidence that groups and movements, with varying degrees of ties to the São Paulo Forum, had taken advantage of the situation to foster instability in those two countries.

In July 2020, in a new and decisive initiative—this time in the name of democracy in Guyana—the members of PROSUR expressed their concern with a delay in the conclusion of the electoral process in the country. The situation proved to be a serious threat to the democratic principles of a country deeply in need of domestic stability to foster the exploitation of its mineral resources. It is essential for Guyana and

its people to leave behind, for good, a history of chronic poverty and instability. The unified stance of the members of PROSUR contributed to the recognition of the victory of President Mohamed Irfaan Ali, who took office in August and

will now be able to guide this sister-nation of ours in a path of unprecedented prosperity.

With its simplified and lean structure, PROSUR has displaced UNASUR, whose growing defense of authoritarian regimes in our region was only matched by its inefficiency to promote regional integration itself, even as its bureaucratic structure grew ever more

expensive and enlarged. The Guyanese question, which can now be deemed to have been fairly and satisfactorily resolved, is proof that regional integration is heading in the right direction. PROSUR objectives are convergent with those of the OAS, whereas UNASUR sought precisely to be an anti-OAS, or an OAS without the USA.

Within MERCOSUR, Brazil has succeeded, since 2019, in leading an effort to rescue the original purpose of the bloc and implement a modernizing agenda, with three main axes: I) intensification of trade

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negotiations with third partners; II) review of the Common External Tariff (CET); and III) engagement in an institutional reform of the bloc.

The Brazilian government is working to build a MERCOSUR that is more integrated into the world, more focused on improving competitiveness, and more efficient and simplified in terms of its institutional framework. Brazil has broadened, thematically, the regional trade deals already in place to include non-tariff themes (services trade, investments, and government acquisitions), be it by way of bilateral negotiations—such as Brazil has been doing with Chile—or in a joint manner, through MERCOSUR.

The conclusion of trade negotiations with crucial partners such as the European Union and the European Free Trade Association (EFTA), as well as the commitment to continue and accelerate negotiations with partners such as Canada, South Korea, and Singapore, will enhance the competitive insertion of the Brazilian economy, together with those of our associates, in international supply chains—both in the short-term and in the long run. A superior and more effective integration effort is essential to boost sustainable economic development, which we have lacked in recent decades.

Obtaining concrete gains for the common citizen is the goal we seek to achieve by establishing a solid legal framework for our insertion in the international economy. The choice for prosperity paves the way and constitutes a crucial element

Under President Bolsonaro, Brazil has given maximum priority to the construction of a free, peaceful, democratic, and prosperous South America.

for the consolidation of democracy on our continent. Protectionism, statism, and authoritarianism have been intimately associated with our history and that of our region. We now have the opportunity to break this vicious cycle that

has tragically stained the history of the American continent to the south of the United States for the past 200 years.

SUPPORTING VENEZUELA'S DEMOCRATIC STRUGGLE

Under President Bolsonaro, Brazil has given maximum priority to the construction of a free, peaceful, democratic, and prosperous South America. We have taken an active role in the efforts to reestablish democracy in Venezuela, a country that, unfortunately, is the utmost example of the failure of anti-Americanism not just in our region, but also in the world. There is no analogous case, on any other continent, of social and economic self-destruction in a previously stable society in the absence of war.

In face of grave humanitarian consequences of the economic, social, and

political collapse of this sister nation, we have taken the lead in diplomatic initiatives to offer the Venezuelan people the possibility to, once again, decide their own fate. And we have done so in coordination with the countries of the Lima Group. In August 2020, the Lima Group repudiated the announcement of the regime headed by Nicolás Maduro to hold parliamentary elections in December without guaranteeing neither the fairness of the process nor the full participation of the country's main political forces. We can no longer tolerate the succession of electoral frauds that allows a narcoregime to stay in power and, consequently, put regional stability at risk. Among other plights, we have seen about five million Venezuelan citizens leaving their country in despair, which has overburdened the social protection system of neighboring countries and bordering subnational units.

With its internationally praised “Welcome Operation,” Brazil has already sheltered more than 400,000 Venezuelans in search of refuge and protection. Fundamental aspects of this operation include the support, documentation, and “interior placement” offered to every Venezuelan in Brazil. Venezuelans citizens arriving in Brazil, independently of their migratory status, enjoy full access to employment opportunities, public services and social programs, including the emergency minimum income initiative that President Bolsonaro instituted in the

context of the COVID-19 crisis to support families and low-income individuals. Venezuelan migrants and refugees have been relocated, on a voluntary basis, to some 600 Brazilian cities. Thanks to this logistical effort, 260,000 Venezuelan refugees decided to stay in Brazil for good. The mid-September 2020 visit of U.S. Secretary of State Mike Pompeo to Boa Vista shows the dimension of the regional effort to give refugees the appropriate assistance after escaping Maduro's tyranny.

Moreover, the Brazilian government decided to prohibit the entrance into our country of high-ranking officials of the Maduro regime who are suspected of having violated human rights. The September 2020 report of the Independent International Fact-Finding Mission on Venezuela conducted by the United Nations Council of Human Rights also reinforces our contention that Brazil and its partners in the Lima Group have taken the right course by initiating measures to isolate the Maduro regime.

The report indicates that there are ample reasons to hold accountable both the Venezuelan state and numerous individuals in its employ. It concludes that there is enough evidence to believe that Maduro and his ministers are responsible for crimes against humanity, including “murders, incarcerations, torture, sexual violence, forced disappearances, and other inhuman acts.” The report clarifies that these violations occurred in a context

of the gradual rupture of the country's democratic institutions and the rule of law, with standards of selective political repression carried out against individuals critical to the regime, including members of its congress, mayors, and the military.

The report recommends, moreover, that the Office of the Prosecutor of the International Criminal Court take into consideration the needs of the victims and for justice to be done in a timely manner.

In Brazil's course of action regarding the Venezuelan dictatorship, President Bolsonaro's government neither acts according to an ideological whim devoid of any legal base, nor does it violate the fundamental precepts of Brazilian foreign policy, as some critics allege. Rather, it acts strictly under Article 4 of the Federal Constitution, which states the principles and values that guide the relations of Brazil with other sovereign nations, with an emphasis on the prevalence of human rights. It is this principle that underpins our actions against a regime based on spreading hunger and state terror, as the report of the Independent International Fact-Finding Mission attests.

The actions of Brazilian foreign policy to promote democracy in our region—

and particularly in Venezuela—are also rooted in other precepts of the Brazilian Constitution, as enumerated in the same Article 4: I) non-intervention and self-determination, for we carry a firm conviction that political transitions from au-

thoritarian regimes must be conducted by the people and marked by free, clean, and fair elections; II) defense of peace and the peaceful resolution of conflicts, which extends to authoritarian regimes rejected by their own people; III) repudiation of terrorism, which includes state terrorism practiced by an illegitimate government against its own citizens; and IV) the quest to achieve the economic,

political, social, and cultural integration of the peoples of Latin America, so that we may refer to this part of the continent in the future as an area free from dictatorships, poverty, and underdevelopment. In short, Brazilian foreign policy seeks to establish a future in which the differences in terms of political stability and economic prosperity between Latin America and North America become less evident with the passing of time.

In this regard, Washington's proposal, which Brazil fully supports, stands out as a blueprint for the return of democracy in Venezuela. The "Institutional Framework

In Brazil's course of action regarding the Venezuelan dictatorship, President Bolsonaro's government neither acts according to an ideological whim devoid of any legal base, nor does it violate the fundamental precepts of Brazilian foreign policy, as some critics allege.

for Democratic Transition" calls for free and transparent presidential elections within six to twelve months—a period of time in which both Maduro and Acting President Juan Guaidó would relinquish public office in favor of a national transitional government conducted by a Council of State. Based on this initiative, 34

governments released, in mid-August 2020, a Joint Declaration of Support for Democratic Change in Venezuela, demanding free and clean elections in the country. Among its signatories are not only the Lima Group countries, but also the members of the International Contact Group, a multiregional initiative that gathers members of the European Union such as France, Germany, Italy, Netherlands, Portugal, Spain, Sweden, and the United Kingdom. It would be peculiar to accuse and interpret the efforts of the countries of the region and democratic European powers of being subordinated to the United States of America.

SECURITY AND DEMOCRACY

State terrorism—a central element of the policy of systematic and constant violation of the human rights of the local population by the Venezuelan narcoregime—and its linkages to international terrorism and organized crime constitute one of the main concerns of not only Brazil

but our regional partners as well. In order to eliminate latent threats to democracy by armed movements in countries of the region (such as Colombia), Brazil has intensified, under President Bolsonaro, its engagement in regional security fora, in particular the Ministerial Hemispheric Conference to Combat Terrorism, whose

third session took place in January 2020 in Bogotá.

On that occasion, Brazil and other signatories reiterated their "inarguable commitment" to deny any kind of support to those who finance, plan, or commit acts of terrorism, as well as those who collaborate with it them, which is clearly the case

with regards to the illegitimate Venezuelan regime. We have consolidated, in the regional treatment of the issue, the linkage between terrorism and the threat to democratic stability, as it undermines the basis of our countries' economic and social development.

Strengthening the hemispheric dialogue on this issue is essential to carrying out initiatives such as the regionally shared system of people-tracking and the consolidation of Ameripol (the Police Community of the Americas) as an effective regional mechanism to combat the association of terrorism and transnational organized crime. We have

Brazilian foreign policy seeks to establish a future in which the differences in terms of political stability and economic prosperity between Latin America and North America become less evident with the passing of time.

done so by granting legal status and technical autonomy analogous to those of Europol and Interpol.

In a parallel development, the Brazilian Intelligence Agency (ABIN) established, in August 2019, the South American Intelligence Network against Organized Crime and Terrorism (RISCOT). This is a structure that gathers together the intelligence services of Brazil, Argentina, Chile, Colombia, Ecuador, Paraguay, Peru, and Uruguay. RISCOT intends to facilitate joint and concrete actions for the prevention of organized crime and terrorism on the continent.

An essential factor in our search for the reaffirmation and defense of democracy on the American continent is the rapprochement between Brazil and the OAS, after a long, extensive period of unjustified distancing. The Brazilian government, after years boycotting the OAS's work for democracy in our continent, has become, under President Bolsonaro, a faithful and active partner of the Organization of American States.

In fact, the most cherished and consolidated asset of the OAS is the promotion of democratic values. Democracy is a concept that finds practical sense in the work of the OAS. The Organization has given concreteness to the concept through initiatives, mechanisms, and actions that have a real impact on the life of the peoples of the hemisphere. In

the OAS, we have an important guardian of democracy. Only a few international organizations can say the same.

In the last few years, the OAS has engaged in the defense of democracy on several fronts, always with the strong support of Brazil, as is the case of the crisis in Venezuela.

In June 2018, the OAS General Assembly approved its first resolution on the Venezuelan crisis based on the Inter-American Democratic Charter (IDC), following the suspension of Venezuela's participation in MERCOSUR for its violations of the Ushuaia Protocol. After Maduro's illegitimate reelection in 2018 and the expiration of his term, in January 2019, an extraordinary meeting of OAS foreign ministers approved a resolution that did not recognize the legitimacy of Maduro's "second election" and, therefore, of his current term. In April 2019, the representative of Acting President Guaidó, as designated by the Venezuelan National Assembly, Ambassador Gustavo Tarre Briceño, was admitted in the Permanent Council of the OAS. The Guaidó government reversed the process of withdrawal from the OAS, which had been started by the illegitimate regime. In August 2019, the legitimate government adhered again to the Inter-American Treaty of Reciprocal Assistance (TIAR).

Thus, the situation in Venezuela is now also being considered within the

framework of TIAR. In September and December 2019, the Consultative Organ of the Treaty, gathered at the ministerial level, approved two resolutions that resulted in the adoption of a list of people with ties to Maduro's illegitimate regime to be targeted by a criminal investigation.

Unfortunately, Maduro's dictatorial narcoregime still possesses a degree of regional support: it has not been possible, up to now, to gather the necessary votes to adopt a resolution, be it by the OAS Permanent Council or its General Assembly, to recognize Guaidó as the legitimate acting President of Venezuela. This shows that Brazil and our partners in the Lima Group must renew our efforts towards the consolidation of democracy on the continent. The worsening of repression coupled with the economic situation in Venezuela prevented Maduro's oil-based diplomacy from guaranteeing added regional support to the *chavista* regime (in particular, in the Caribbean). The Maduro regime has been gradually losing the support that it once had in the OAS. The decisive role of the Lima Group has accelerated this process. It is crucial to keep this up and strengthen its role.

Brazil's active defense of democracy in the Western hemisphere becomes equally evident in our support for the activities of the OAS Department of Electoral Cooperation and Observation (DECO). In 2018, Brazil's Superior

Electoral Tribunal (TSE) donated financial resources to the OAS Fund for Electoral Observation Missions, which are being gradually used to fund observation missions in different countries in the hemisphere. Brazil also received an OAS electoral mission for the first time in its history, on the occasion of the holding of our general elections in October 2018. The same will take place during the Brazilian municipal elections in November 2020. As a stable and consolidated democracy, Brazil receives, with tranquility, the scrutiny of OAS electoral missions. The country will keep working to ensure that these missions contribute to the strengthening of democracy in our hemisphere.

Brazil will keep striving for the consolidation of democracy as the sole legitimate form of government on the American continent. We will also work for more regional and hemispheric integration and for the prevalence of human rights, non-intervention, and self-determination, in accordance with the principles of the Brazilian Constitution. Some might continue to criticize us, doing so because we nurture high ambitions for Brazil and the American continent, and also because we dare put aside concepts that have led us nowhere. Once we achieve the goal of a free, peaceful, and prosperous America, ruled by democracy and prosperity from North to South, those who want to look back will say, recalling the present era, that "it was back then that it all began." ●

GERMANY'S EUROPEAN IMPERATIVE

Wolfgang Ischinger

GERMANY is facing a crucial decision. It can either embrace what the country's foreign minister Heiko Maas called in May 2020 a "European Imperative" as the basis for its decisionmaking and actively step up to strengthen the EU. Or it can decide to stick to the status quo and therefore choose not to be a part of those shaping the change we are witnessing in the global order.

Given the "Munich consensus" from 2014, where German senior officials declared that Germany was willing and ready to take on more responsibility internationally, this decision should be an easy one to make. In the same speech, Maas underlined this position when he stated that "we need to recalibrate balance between the international division of labor and the risks of strategic dependencies. And I want Germany and Europe to be in the vanguard here."

This further emphasizes that Germany can only have an impact on global developments through a strong European Union. Therefore, Berlin needs to prevent at all costs the falling apart of the EU, for such an outcome would only pave the way for a return of nationalism. Germany wants the EU to be able to defend its political, economic, and societal model. Whatever Berlin intends to do, it should first ask what its actions would mean for the EU's ability to recover from the crisis triggered by the pandemic and for the EU's capacity to protect its values, interests, and sovereignty on the world stage.

The current time constitutes the turn of an era that is marked by the end of several German foreign policy certainties. The liberal order no longer seems to prevail as the only legitimate governance model. In fact, in the past decade, each year there

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Photo: Wikimedia Commons

German foreign minister Heiko Maas, originator of the concept of the "European Imperative"

have been more countries with a net decline in their Freedom House Index than there were countries with a net gain. This points to what scholars Anna Lührmann and Staffan I. Lindberg have termed the "third wave of autocratization." These developments are also mirrored in the opinion polls of German society. In our October 2020 special edition of the Munich Security Report we found that 34 percent of Germans perceive the current German security situation as being worse than it was between 1990 and 2001, with only 30 percent indicating that it was better. Moreover, we showed that Germans increasingly believed (75 percent in 2020)

that the number of crises and conflicts will rise in the next years.

Another certainty, which Germany has relied on for decades, was that the United States would remain a "European power." Germany has long taken this security guarantee for granted and has not stepped up its part in the burden-sharing, as expected from the American side. Future developments in this regard depend largely on the outcome of the November 2020 elections in the United States. However, Angela Merkel's Trudering Doctrine from 2017 stands: "The times in which we could completely rely on others are, to an extent, over [...]."

Therefore, I can only say that we Europeans must really take our fate into our own hands.”

WORTH THE PRICE

The current German presidency of the Council of the European Union provides a welcome opportunity to take steps in the direction of a European Imperative. However, as Cornelius Adebahr has pointed out, in times of a pandemic, “maintaining EU integration as such” has become the primary task. The pandemic risks deepening rifts between the EU’s hard-hit south and the countries of the north, it threatens to widen fissures between eastern and western EU member states over migration and the rule of law, and it generally risks strengthening Eurosceptic forces across member states. As if this were not enough, emboldened external actors—Russia and China, in particular—are eager to exploit the pandemic in efforts to, as EU High Representative for Foreign Affairs Josep Borrell has put it, “undermine democratic debate and exacerbate social polarization” in Europe to advance their own agendas.

The pandemic is intensifying trends that were already present before. Ever since the Brexit referendum, it is clear

that there is a possible threat of EU disintegration. Considering how harmful that would be to Germany, the country has not taken enough action to prevent it. Too often EU budget increases have been criticized without mentioning the benefits of integration. Between 2014 and 2018, the single market increased

Between 2014 and 2018, the single market increased real incomes in Germany by almost €120 billion, while in the same time period Germany’s net contribution to the EU budget amounted to between €10 and €15 billion per year.

real incomes in Germany by almost €120 billion, while in the same time period Germany’s net contribution to the EU budget amounted to between €10 and €15 billion per year. Thus, the economic benefits Germany accrues alone outweigh the costs it incurs many times over. Moreover, a 2019 study by the Kiel Institute for the World Economy showed how grave the consequences of EU disintegration would be for Germany, finding it to be the foremost net loser whose gross domestic product would drop by €173 billion. This is only one way to highlight how valuable the EU is for Germany. It therefore needs to be willing to pay a considerable price to ensure its continued existence.

In this regard, the recent decision by the EU to create a recovery fund proves that the grand coalition in Berlin understood that EU member states were “writing a page in a history book” rather than “a page in an economics manual,”

as Italy’s prime minister Giuseppe Conte put it in April 2020. It sent a much-needed signal of solidarity and empathy that Berlin had failed to convey in previous crises. For Germany, the initiative was tantamount to a massive change in mindset. Berlin should use this occasion to once and for all do away with the one-sided narrative of being exploited as the EU’s paymaster.

Yet, making the case for the EU in Germany is not the only task for German leaders. They also have to make the case for Germany in the EU. If Germany is to act as a bridge builder in a deeply divided EU and forge sustainable compromises on important EU issues, from migration and asylum to climate change and defense, it needs to be perceived as an honest broker in the common EU interest—as a legitimate leader that has the EU’s best interests at heart.

To strengthen the EU’s ability to defend its values and interests in the world, Germany should take bold steps toward fully embracing and implementing the European Imperative. Most importantly, we Germans need to end what Sophia Besch and Christian Odendahl have called “small nation” thinking” of the past. At a time when the EU’s ability to “relearn the language of power” is called for on various fronts,

as Borrell recently put it, Germany must seize the opportunity to amplify the EU’s voice in the world. Germany’s desire to strengthen the EU’s role in the world is still at odds with Berlin’s own inability to approach policy issues from a more (geo-)strategic and global angle.

This inability was particularly evident in the German debate about the U.S.-EU

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Transatlantic Trade and Investment Partnership (TTIP). In these discussions, narrow domestic targets took precedence over geopolitical considerations. Likewise, the recent debate on U.S. nuclear weapons stationed in Germany

gave the impression that this was exclusively a national issue and had few if any ramifications for NATO or Euro-Atlantic security. Time and again, members of the German political elite fail to consider the international repercussions of their statements and policies.

WIDER GEOPOLITICAL LENS

The EU has to stand its ground in a global environment where innovation and economic growth have become a primary domain for geopolitical competition. Yet, Germany itself has still been reluctant to view its economic relations through a wider geopolitical lens. It continues to rank economic growth and export promotion before other foreign

policy goals and does not link these economic goals to other priorities. At a moment when Germany's most important trading partners increasingly extend beyond its close strategic allies, this policy is neither sustainable for Germany nor conducive to empowering the EU.

In this regard, Germany's China policy will constitute one of the principal tests of Berlin's willingness to embrace the European Imperative. While the pandemic has highlighted the vulnerabilities in the supply chains, concerns over China's more and more aggressive foreign policy and growing military capabilities are rising. These concerns were intensified through the coronavirus crisis following the use of disinformation and propaganda by the Chinese regime.

Germany regularly acknowledges that the most decisive challenges of the future, including climate change, migration, and technological competition, all require Europe-wide solutions. Still, Berlin often balks at requests to back up its demand for "more Europe" with the necessary resources, financial and otherwise.

Germany's climate policy is a primary example. The risk is well-known: in 2019, 24.9 million people were internally

displaced as a result of weather-related disasters, and the World Bank estimates that due to climate change more than 140 million people could become internally displaced in Sub-Saharan Africa, South Asia, and Latin America by 2050. These climate impacts can also undermine peace, particularly in fragile states. Climate Change can also intensify interstate conflicts, as the effects may exacerbate resource scarcity or even create new and contested resources, as we can see in the Arctic. But still, climate and environmental protection topped the list of priorities for the German presidency of the Council of the European Union. However, Berlin has been reluctant to provide the funding needed for the European Commission's ambitious Green Deal.

Climate policies are not the only area where this is the case. Financial nitpicking and concerns about burden-sharing often dominate German debates about EU policy priorities and objectives. The European Imperative demands a public debate that defines the concrete goals and benefits that Germany seeks to achieve at the EU level. And it demands that once these goals are defined, Germany invests the resources needed. Recent survey data suggests that Germans do not only desire a more active role for their country in the EU, they are also willing to provide more

The EU has to stand its ground in a global environment where innovation and economic growth have become a primary domain for geopolitical competition.

resources for concrete EU policy ambitions, including in the fields of climate protection and innovation.

LANGUAGE OF POWER AND INFLUENCE

An EU able to defend its values and interests in the world must speak with one clear voice. The starting point includes Germans listening to their neighbors when their core interests are at stake. An EU foreign policy à la carte will not work. We cannot call for joint positions by the member states on some issues while at the same time—as was initially the case with Nord Stream 2—trying to restrict EU jurisdiction when we see it as a hindrance.

The EU cannot become what Jean-Claude Juncker called "*weltpolitikfähig*"—capable of acting at the global level—if every single member state can veto every decision for parochial reasons. Put differently: being guided by the European Imperative cannot be understood as acquiescence to a European Union of the lowest common denominator. To this end, Germany should take three steps.

First, Berlin should continue to make the case for an extension of qualified majority voting (QMV) to the domain of foreign and security policy and, as a first step, voluntarily waive its veto right. Of course, critics may argue that the risk for Berlin is small, as it is less likely to be

outvoted than other countries. But at the very least, this would send a clear signal to the rest of the European Union.

Second, Germany should seriously consider how it can make using the veto more costly for others. Abstaining from using its own veto will certainly help, but this would clearly not be enough.

And third, Germany needs to be more willing to forge ahead with a critical mass of like-minded partners when the EU's consensus requirement gets in the way of action. In the area of the Common Foreign and Security Policy, this is particularly urgent. Here and elsewhere, Berlin must not hide behind a lack of consensus but should actively seek partners that share an ambitious agenda for the EU. Of course, this means reinvigorating the Franco-German partnership, which has recently shown the way in the economic realm but should also be more active in foreign and security policy. The European Imperative demands that Germany should not press ahead without properly consulting or reassuring its neighbors. But it should also not allow individual EU partners to paralyze the European project and prevent efforts to update it.

The partnerships Berlin needs to foster in order to help defend European values and interests in the world extend well beyond the EU. This is most

The EU will not learn to speak the language of power as long as Germany does not.

important following Brexit. Germany should work closely with France to secure close coordination and cooperation with the United Kingdom.

Germany should also underscore its ambition to turn the EU into a credible foreign policy actor. There is no need

for semantic debates about the true meaning of “strategic autonomy” or “European sovereignty.” But there is a clear need to enhance the EU’s ability to act. The European Union’s lack of influence on the course of conflicts that have affected its core interests—most notably

those in Syria and Libya—has been all too evident. While many in the EU have been quick to criticize America for abandoning its traditional role, the EU approach has been even more impotent and inward-looking than that of the United States. As the Munich Security Conference’s 2020 Report put it, a world of “Westlessness” is also a consequence of the EU’s apparent inability to defend its own core interests. While Commission President Ursula von der Leyen has promised a “geopolitical Commission,” Borrell has repeatedly underlined the necessity for the EU to “relearn the language of power.” European leaders must make sure that these grandiose claims are filled with meaning.

In any case, it is obvious that the European Union will not learn to speak the language of power as long as Germany does not. Even in a world increasingly shaped by great-power competition, it still makes sense to defend the EU’s model of multilateral cooperation, trying to forge win-win situations or investing in

rules-based frameworks. But this should be done from a clear-eyed position of strength and based on reciprocity, recognizing the fact that other actors do not share the EU’s world view. Even America has to adapt to a new era of great-power competition in which the United States is facing increas-

ingly powerful rivals in a world where liberal democracy is no longer the only game in town.

For the EU, which was essentially designed to overcome a “dog-eat-dog” world, the learning curve is far steeper. As Zaki Laïdi has argued, the European Union is still new to the great-power game. For very good reasons, Europeans in general (and Germans in particular) detest the kinds of policies that come with it. Yet even if they operate differently, Europeans must learn how to respond more decisively and effectively to attacks on their core values and interests. What kind of message does it send if repeated attempts to hack into

parliaments or to undermine the integrity of elections—the critical infrastructure of European democracies—are not met with a strong response? With Berlin’s help, the EU must make sure everyone understands it will not accept being bullied and will mobilize its special set of resources to push back.

This plea for Germany to embrace the European Imperative and accept the leadership role that is part of it should not be misunderstood. Germany cannot—and will not—lead on its own. It must always build coalitions, with France remaining its closest partner. What is needed is a “European Germany,” as

Thomas Mann put it—a Germany aware of its limits, but also of its potential.

This would signify an end of the German unawareness of the impact its decisions and actions have on its partners. German leadership based on the European Imperative would acknowledge and anticipate the ripple effects of German behavior for the European Union. And most importantly, it would create a simple but powerful benchmark for all political decisions taken in Berlin: first and foremost, they must be geared toward strengthening the EU. Germany can become Europe’s “enabling power,” if Berlin throws its full weight behind the European Union. ●

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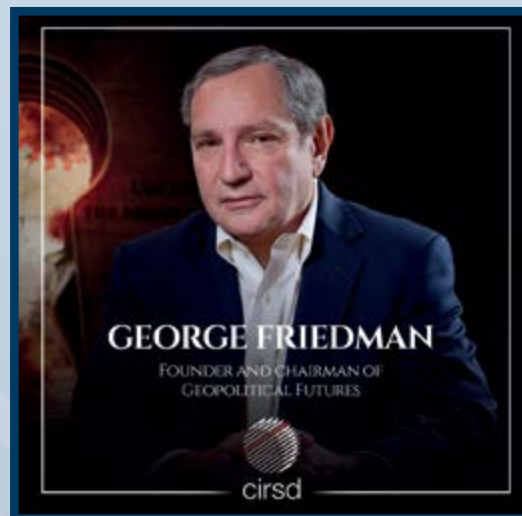
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HORIZONS DISCUSSION PANDEMICS AND GEOPOLITICS

The Center for International Relations and Sustainable Development (CIRSD) held an online Horizons Discussion on June 29th, 2020. The conversation featured two distinguished Horizons authors, **George Friedman**, Founder and Chairman of Geopolitical Futures, and **Rawi Abdelal**, Professor of International Management at Harvard Business School. The event was moderated by CIRSD President **Vuk Jeremić**.

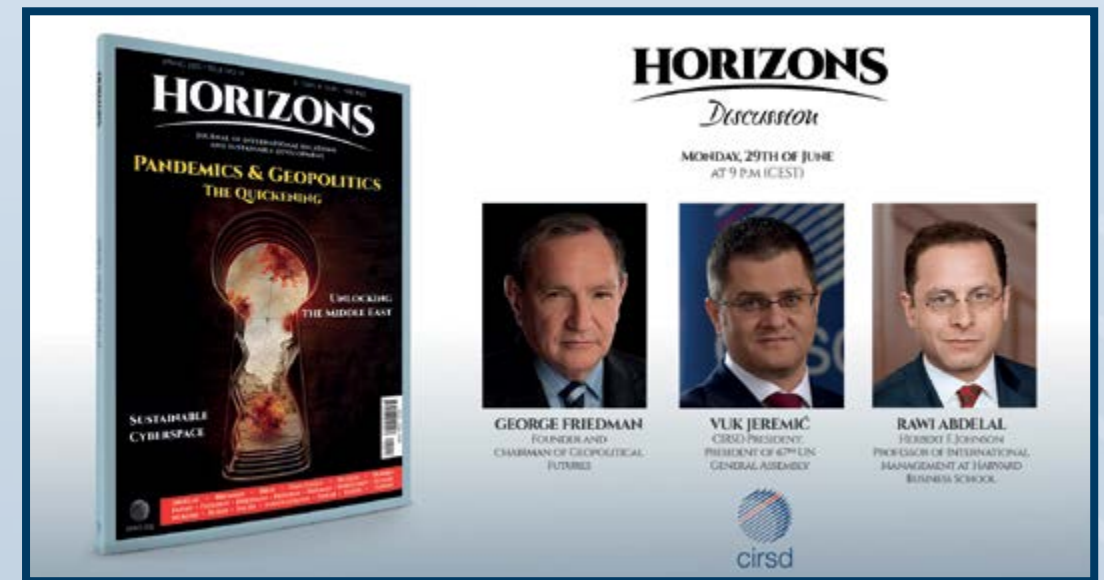


Much of the discussion focused on the ongoing political and economic effects of the COVID-19 pandemic. In his introductory remarks, Mr. Jeremić drew a parallel between present economic tumults and the 1929 crash, noting that the Great Depression was triggered by a shock



in demand, with America being seen as the seller of "cheap products" to Europe. Whereas in today's world, he noted, "China represents what America was during the Great Depression. The difference is that this time the shock in demand came in the form of the coronavirus."

HORIZONS *Discussion*



Dr. Friedman framed his remarks around the view that the "world depends on a stable United States, and that right now America is not very stable." He also stated that "the United States is doing something very important: it's finding its national interest. And we will do that as an opera—at the top of our lungs, making accusations in all directions." But, he said, this process was necessary and should be understood as being so.

Prof. Abdelal took a different approach. He raised the "very real possibility of

the end of the West as a geopolitical concept, a rupture in the transatlantic alliance, which is one of the key foundations of a wide variety of elements of world order as well as one of the institutional foundations for globalization itself." He later added that the "fact that there has been a relatively unified West has been extremely useful for the United States, and this unity is now in danger of being destroyed."

The entire Horizons Discussion may be viewed on CIRSD's YouTube channel: <https://www.youtube.com/user/CIRSD>

AMERICA, COVID-19, AND MULTILATERALISM

Srgjan Kerim

You may delay, but time will not, and lost time is never found again.
— Benjamin Franklin

LIVING in the digital era means that we are bound to run into viruses. Think of the most frequently used tool by people in their everyday activities: the computer. Virus attacks are a common and serious threat for this essential part of our professional and private lives. Now, think of HIV, SARS, Ebola, etc.

These examples clearly speak towards a phenomenon that has become a large part of the modern experience, fortunately coinciding with new scientific research. Still, the outbreak of COVID-19 has caught us by surprise. We were totally unprepared. Having said that, I am not referring to the collapse of the healthcare sector of nearly every country across the globe. Rather, I am referring to the wrongdoing, delayed reactions, and confusion of national

governments and international organizations with regards to COVID-19. Most of all, I am talking about the United Nations and the World Health Organization (WHO). I am also referring to lack of coordination at the international level between governments.

Ironically, living in the digital era of connectivity would lead one to believe quite the opposite response would occur. Innovation would have us believe we were prepared and in possession of all the strategies to confront viruses in a dramatically different way than the one we are utilizing in 2020.

There is no point in comparing this dreadful situation around the globe with the Spanish Flu that swept through much of the world one hundred years ago. That pandemic

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occurred under completely different circumstances with a lack of technological tools and developmental inferiority in comparison to the twenty-first century. It is ridiculous to draw a parallel between then and now, especially in terms of the toll taken on human life.

Instead, we should focus on our current circumstances and ask ourselves: what are the root causes of the world's

confusing and chaotic reaction in the case of COVID-19?

We must understand the importance of acting together and in a coordinated manner while facing a pandemic, which, by definition, is a global issue. This is especially the case in a world dominated by information supremacy and rapidly progressing communication technologies.

This article is aimed at giving one of the many answers we not only owe to our respective publics, but to people across the globe. When I say “we,” I refer most of all to politicians, diplomats, and scientists. Now, to avoid misunderstandings, I state up front that I am not an expert on viruses, and certainly not on COVID-19. Thus, I will limit my discussion to an examination of its implications on politics and diplomacy, which I have been involved in for almost half of a century.

What are the root causes of the world's confusing and chaotic reaction in the case of COVID-19?

Let me begin with a first impression concerning the behavior of national governments after the outbreak of COVID-19. It cannot be said that most countries were on high alert, with some exceptions. Some reactions were

delayed, chaotic, and rather confusing due to attempts to downplay the pandemic by the leaders of countries including the United States, the UK, Brazil,

and Italy. This underestimation of the coronavirus's toll has backfired. British Prime Minister Boris Johnson, Brazilian President Jair Bolsonaro, and now U.S. President Donald Trump all contracted the virus themselves.

On the other hand, the lockdown approach on a global scale turned out to be counterproductive: a false perception was given by many governments of the need to convey to the public the impression of “protecting their nation” from an “invisible enemy.” This was, again, largely unsuccessful.

From the point of view of national healthcare systems' organization, the lockdown approach made sense, but only to a certain extent. However, from the point of view of regional integration—for instance, in the case of the European Union—or for the purpose of ICTs, this resulted in a total breakdown of mutual, immediate exchange

of information in a digital era facing a pandemic. This new era is without precedent and required quite the opposite approach. Even once everyone was aware that the coronavirus was transcending national borders, it represented, in this regard, a major force against this approach.

Why even have international organizations such as the UN or the WHO when, amidst a global emergency, they were locked down or sidelined? The delayed reactions of the UN and the confusing instructions of the WHO at the initial stage of the pandemic compromised their authority.

One example of this was the declaration of the pandemic in China too late, from an international perspective, or the delayed ban on flights to and from China. On the other hand, there is no point now in looking behind us and continuing to identify other shortcomings and failures made at the initial stage of the pandemic on the national and the international level.

Instead, I prefer to discuss another “virus,” and will focus in this article on its viral attacks on multilateralism as the centerpiece of international

relations today and its implications on the future of global affairs. I will especially address the role of the United States in this regard. Talking about America’s role in today’s world in the context of the outbreak of COVID-19

Targeting Trump’s policies as the cause of American decline is not a sufficient explanation. Rather, this decline can be explained as the product of the accumulated distortion of basic values and foundations of American society.

or projecting beyond it requires an analysis more complex than a limited discussion of the Trump Administration’s actions during the pandemic.

There are other premises that need to be seriously dealt with before one reaches descriptive conclusions and assessments of the role and the functioning of

the United States from 2016 up to the present. One should not forget that the U.S. Civil War was a struggle over two competing concepts of the nation state. While the Civil War ended long ago, this struggle continues to this day.

How must we interpret the debate on the “equality of races,” which lasted throughout the whole of the nineteenth century and was reflected in the different views over the Thirteenth, Fourteenth, and Fifteenth Amendments to the U.S. Constitution—known collectively as the Civil War Amendments—about the right of citizens and the powers of nation states? This struggle

implied and indeed led to debates on immigration, racial and gender equality, and the limits of citizenship.

The example of Frederick Douglass, an American social reformer and

statesman of African-American origin, speaks for itself. In 1869 he spoke of America as the “most conspicuous example of composite nationality in the world.”

To that extent, one may say there is nothing to be added to Douglass’s statement. However, to this day, there is neither clarity nor distinction between what we may define as “civic national-

ism” and “ethnic nationalism” in the United States, despite the fact that the principles behind the U.S. Constitution “rested upon the assumption of the equality of races,” as the notorious vice president of the secessionist Confederacy put it, opposing his racist views to those of Abraham Lincoln, nearly 150 years ago.

The political struggle between what some people call “liberal and illiberal nationalism” in the United States is going on to this day. Take the recent example of George Floyd, an African-American brutally killed by a white policeman in May 2020 in Minnesota.

This quickly put the “Black Lives Matter” movement, founded in 2013, onto the map across America, making it one of the largest movements of this nature in the country’s history. It was further invigorated only a few months later, in

August 2020 in Kenosha, Wisconsin. Trump’s attempts to deny systemic racism as the cause of these types of occurrences was not conciliatory.

On the contrary, they further deepened polarization at the national level. In fact, this is not the only cause of division and polarization in America. Consider that 1 percent of Americans

control \$30 trillion of U.S. monetary assets. The bottom half of the population, or 160 million people, have more debts than assets. One-fifth of American households have zero or negative net worth: this last statistic applies to 37 percent of black families in the United States.

Due to the COVID-19 crisis, over 40 million Americans lost their jobs and 3.3 million businesses had to shut down. This includes 41 percent of all black-owned businesses in America. On top of that, achieving the world’s highest rate of morbidity and mortality seriously impacted America’s reputation and international standing. It has—as

The country that acted as a world leader since the end of World War II became reluctant to do so during a pandemic. This is without precedent in recent history. Instead, chaos and division prevailed domestically damaging the country’s prestige.

argued in Wade Davis's latest book *Magdalena: River of Dreams* (2020)—reduced what was known as “American exceptionalism” to tatters.

This is why targeting Trump's policies as the cause of American decline is not a sufficient explanation. Rather, this decline can be explained as the product of the accumulated distortion of basic values and foundations of American society. The measure of wealth in a civilized nation is not the money accumulated by 630 billionaires, as in the United States, but rather the strength and resilience of social relations and the bonds of reciprocity that connect all people in a common purpose.

Having said that, I would like to emphasize that this has nothing to do with political ideology, as wrongly interpreted by those who claim that they “defend the basic values of freedom and democracy.” On the contrary, freedom and democracy should serve the purpose of serving everything pertaining to one's quality of life. As a European and a friend of the United States, I think making such a statement is neither pretentious nor an exaggeration. For the European Union and the United States are not only close friends and allies but basically share the same values: freedom, democracy, and human rights.

The “law and order” approach has become a trope in the eyes of new generations, including Americans. It does not impress them at all. They are more inclined to believe in social justice and an economy that works for all. These ideas are similar to ones espoused by one of the greatest American presidents, Franklin Delano Roosevelt. Drawing on this heritage, more than two-thirds of young

Americans are embracing these ideas. A, and the future belongs to them.

Their future, of course, depends not only on what is going on in America, but around the globe. And that, again, is

inseparable from the role and the position of the United States in world affairs. One might ask the following two questions: to what extent is America still the only superpower? Are we still living in a unipolar world? But make no mistake, what is happening in the United States is very relevant to the whole world, and vice versa. The interaction and interdependence between America and the rest of the world is a pivotal factor in global affairs and international relations.

For me, September is traditionally the month of the United Nations. This is not only because of the opening of the latest session of the General Assembly, but because of the presence and participation of world leaders in

the high-level General Debate, which allows for an exchange of views at the bilateral level while simultaneously addressing the General Assembly.

In September 2019, I was, as usual, there as a former President of the General Assembly and made use of the opportunity to talk to many of my fellow diplomats. One meeting particularly drew my attention. My interlocutor was representing his country on the Security Council and told me an extraordinary story. His country—considered in normal times as a close ally of the United States—had been elected as a non-permanent member of the Council. He commented on the speech of a high-ranking American official who had come from Washington, DC to attend a particular Council meeting. I will paraphrase what he said to me: “The way our colleague from Washington expressed his views on the role of the Security Council was anything but diplomatic.”

My interlocutor did not hide his anger and was pretty upset, relaying details of what the American official had said. Here, I quote my interlocutor's recollection: “We [meaning the Trump Administration]

couldn't care less about what you're discussing here in this body. We don't consider it to be representative and relevant as a framework for the conduct of American foreign policy; and moreover, it's not a competent place, as far as the United States

is concerned, to discuss crucial issues of world affairs as we see them.”

My interlocutor's conclusion was equally striking: “It was a bashing of the UN and the Security Council as I have never heard before,” he said, obviously bitterly disappointed and annoyed.

I was prompted by this conversation to start thinking about how

serious and deeply-rooted the threat to multilateralism is turning out to be. Can the UN undertake anything to reverse it? Is the Security Council still able to play the role assigned to it by the UN Charter?

I must say, by the way, that I am certainly not the only one who is deeply concerned about the impotence of the UN nowadays. A serious and comprehensive analysis of the current situation and perspectives in the near future must be based on an assessment of the facts on the ground, as well as those found in

To effectively uphold a system of multilateral cooperation, the system's biggest players must agree on the basic principles of cooperation. This represents an opportunity for the European Union to finally become a partner on equal footing with the United States, China, and Russia.

the halls of UN Headquarters in New York. Without the active participation and genuine interest of the United States, it is impossible to imagine an effective and functional Security Council. The same applies to solutions for crises and hotspots such as those in Syria, Libya, Afghanistan, Iraq, Iran, and so on.

Distancing itself from multilateralism and dialogue, the United States has contributed to a serious handicap in world affairs. This is bound to have implications for global issues of

vital importance. Some of these issues include: antiterrorism, climate change, world trade, sustainable development, and maintaining peace and stability. One should not forget that American troops are deployed in more than 150 countries across the globe.

To believe that there is an alternative to multilateralism in pushing for “one-on-one” and “face-off” approaches is very dangerous, and will certainly not persuade other actors on the world stage to act unilaterally. Two examples come to mind: the total failure to discipline North Korea and Iran demonstrates that there is no way to come to a real solution without the active participation of China, Russia, and the European Union.

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In addition, the Trump Administration's response to the current pandemic can be viewed as proof of the growing inability of the United States to define its role and position in today's world. Our global circumstances differ signifi-

cantly compared to 75 years ago, when America became the undisputed leader in global affairs. As already mentioned, COVID-19 has had implications globally, nationally, and locally.

It has, above all, reinforced bias towards a national self-reliance,

which coincides with the rise of populism in many corners of the world. This inward-looking lurch hurts our recovery worldwide, makes the world economy vulnerable, and spreads geopolitical instability. This occurred as a separate phenomenon from the weaknesses of the healthcare systems in many countries.

The current situation and further developments in the United States, in the context of the COVID-19 pandemic, fully embodies this. The country that acted as a world leader since the end of World War II became reluctant to do so during a pandemic. This is without precedent in recent history. Instead, chaos and division prevailed domestically, damaging the

country's prestige. This was despite the Trump Administration's desperate attempt to play the blame game with China over COVID-19. For example, in February 2020, Trump praised China's leaders for successfully dealing with the pandemic. All of a sudden, in June, the administration changed its rhetoric to an endless criticism of China for being responsible for spreading this coronavirus around the globe.

Having said that, my intention is not to advocate in favor of China's actions during the pandemic. Not at all. China's confusing and contradictory information at the beginning of the pandemic has misguided not only the response of the WHO, but many countries around the world. Due to the uncertainty and unpredictability of the coronavirus, global public opinion started shifting away from globalization and towards policies of lockdowns and closed borders.

And again, the United States and its forty-fifth president, instead of showing leadership by keeping global cooperation intact, reinforced unilateral approaches and thus came into conflict with basic economic and trade rules. Don't be fooled into thinking a trading system with an unstable web of national controls will be more humane and safer. On the contrary. Poorer countries will

find it harder to catch up. In the developed world, products and everyday life will become more expensive. Making supply chains domestic does not make them more resilient; rather, it concentrates risk and forfeits economic integration. Instead, they should be diversified and preserve their global nature.

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Geopolitical shifts and mounting great-power rivalries are also straining global cooperative efforts, thus increasing tensions between Washington and Beijing. This too is endangering multilateralism, and not solely in the economic sphere. On the other hand, mounting tensions between the United States and Russia risk inflicting long term damage on arms control and the global non-proliferation regime.

To effectively uphold a system of multilateral cooperation, the system's biggest players must agree on the basic principles of cooperation. This represents an opportunity for the European Union to finally become a partner on equal footing with the United States, China, and Russia. This is for its own benefit, and for the world as a whole. The opportunity is there. What is missing, though, is more power and the ability to speak with one voice. This way, the United States will feel less inclined to choose unilateral action.

In order to make this possible, it must start within the Western alliance: we must recognize the operational mechanisms the Transatlantic community has in place and work on those needing fortification. This means the EU must build its own armed forces and NATO must undergo a serious transformation to be able to accept a “joint venture” approach in terms of its military capacity. Being on equal footing in this regard, the Transatlantic alliance will function better and be fully prepared to address an increasingly challenging geopolitical environment.

To sum it all up: the more European partners see themselves in a leadership role, the more inclined the United States will be to see multilateral action as the most viable solution and most effective tool to achieving its end goals.

In addition, drawing from the lessons from COVID-19 means avoiding divisive behavior, which has been compounded by the lack of clear communication. This is especially relevant in communications between the WHO and UN member states. Communication is the most important tool in

international crises, and communicative multilateralism must be at the core of all response strategies.

The UN would be well-advised to lead, and to stand at the forefront of this effort. World leaders must step back from knee-jerk reactions and instead come together in order to pursue forms of international cooperation based on the needs of the globalized, digital era. This should take the form of communicative multilateralism.

Autumn 2020 marked the seventy-fifth anniversary of the founding of the United Nations. It represented a unique opportunity of evaluating its results, failures, and contemporary position. As for the United States—a co-founder of the UN and one of its leading members—we should reflect on their role then and now. As one of the major architects of this system, America cannot afford to ignore its corrosion. On the contrary, the United States should once again step into the breach and play a leading role. It should take into account the completely changed historic circumstances as well as the timeless and universal values of the UN, which aim to preserve global peace and security. 🌐

The EU must build its own armed forces and NATO must undergo a serious transformation to be able to accept a “joint venture” approach in terms of its military capacity.



King Abdullah II of Jordan,
Scholar-Statesman Award
Recipient, 2019.

Presidential Special Advisor
Jared Kushner, Soref Symposium,
2019.

Vice President Joe Biden,
Soref Symposium, 2015.

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GLOBAL ENERGY INTERCONNECTION

A BOLD INITIATIVE FOR A SUSTAINABLE ENERGY FUTURE

Huang Lei and Wang Qiankun

THE COVID-19 pandemic has been raging across the world since the beginning of 2020, dealing a serious blow to the global economy and society. As we reflect on its painfully learned lessons, a far worse disaster—the unfolding climate and environmental crisis—is charging right for us.

A defining question of our century, and of our immediate future, is how to save our home planet from catastrophic ruin and get us back on track of sustainability. China's concept of Global Energy Interconnection recognizes the importance of energy inter-connectivity for clean energy transition and represents one of the boldest visions for low-carbon development at the national, regional, continental, and global level.

DEEP TROUBLE

Throughout the thousands of years of human history, we as human beings have created splendid civilizations both materially and spiritually, especially since the beginning of the first Industrial Revolution in the 1870s. Yet, as Jeffrey D. Sachs has put it, when it comes to human development, there is a mix of both good news and bad news.

The good news is that humanity has never been more wealthy, powerful, and capable than it is today. The total annual output of the world economy is estimated at \$130 trillion. Another way of putting it is that the globe's 7.6 billion people produce an average output of \$17,000 per person. Technological systems are so remarkable and sophisticated that people enjoy just about every convenience one can imagine.

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Nevertheless, civilization always comes with a price. As humanity transitions from being subject to the whims of Mother Earth to conquering nature, our planet is becoming more and more uninhabitable. The UN 2030 Agenda for Sustainable Development, adopted by world leaders convening in the UN General Assembly in September 2015, clarified 169 targets under 17 Sustainable Development Goals covering economic, social, and environmental areas in a holistic manner. According to the latest progress report by the UN Department of Economic and Social Affairs, however, there remain substantial gaps in achieving many of these targets and goals.

Among all the urgent crises facing humanity, climate change is becoming the most urgent *and* deadly one.

Global warming speeds ahead. Since the onset of the Industrial Revolution, the average global surface temperature has risen by 1.1 degrees Celsius. If this trend continues, the temperature will have risen by more than 3 degrees Celsius by the end of the twenty-first century, bringing with it unprecedented human catastrophes. The earth's system

is tipping out of balance. Geologists call this the Anthropocene in reference to the fact that, for the first time in the history of our planet, the atmospheric, geologic, hydrologic, biospheric, and other earth system processes are now

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altered by humans in a dramatic way. With large-scale glacial melting worldwide, a drastically rising sea level, and shrinking land area, we will see extreme events like hurricanes, tsunamis, and earthquakes increase in both frequency and scope. The atmosphere, hydrosphere, cryosphere, and lithosphere will undergo systemic transformations. The Earth's ecosystems are in danger

of severe degradation. Biodiversity is facing grave challenges.

We are not on track to fulfill SDGs. The UN Sustainable Development Solutions Network, which is headed by Sachs, has underscored the fact that not a single UN member state is on track to fulfill them on time. According to both the UNFCCC and the World Meteorological Organization, the world is best described as being on red alert, and we only have about a ten-year window left to avoid the irreversible impacts of climate change. This represents,

essentially, a systemic failure. Without prompt action, global civilization may suffer serious setbacks. Sustainable development needs to be understood as both the international community's most urgent task and the highest priority.

Energy is at the heart of the fundamental transformation that needs to occur. Science tells us that the root cause of the climate crisis is fossil energy. The burning of fossil fuels accounts for 70 percent of total greenhouse emissions, which science tells us is the primary cause of global warming. Given that all the SDGs are interrelated to each other, none of the elements for sustainable development are separable from energy. In other words, energy is the foundation of sustainable development and its impacts are global. The current energy system is dominated by fossil fuels, which leads to environmental pollution and climate change.

A sustainable energy system can be established mainly by shifting the world's primary energy sources from carbon-based fossil fuels (coal, oil, and natural gas) to zero-carbon renewables (wind, solar, hydro, geothermal, ocean, biomass) alongside next-generation nuclear energy by the year 2050. The fundamental question is how. Politicians

and diplomats have done their part by adopting the 2030 Agenda and the Paris Climate Agreement. Now it is time for engineers to come up with practical and systematic solutions.

BOLDLY GOING FORWARD

Since the earliest days of their development, power systems have run up against, and then across, jurisdictional

boundaries. There have been two major drivers of this expansion.

The first has been economics, in particular a desire to lower the overall investment and operating costs of the

power systems. Expanding power systems across borders allows developers and market participants to take advantage of economies of scale on both the supply and demand side, enabling the development of larger resources and access to cheaper supply sources.

At the same time, cross-border power system integration can bring about a number of security benefits. Larger power systems are more diverse in terms of both supply and demand. They therefore require relatively fewer resources to meet peak demand needs, allow for the sharing of reserves between jurisdictions, and increase overall system security by augmenting the diversity of available resources.

The world is best described as being on red alert, and we only have about a ten-year window left to avoid the irreversible impacts of climate change.

More recently, a third driver has become more relevant against the backdrop of the energy transition we need to achieve: the integration of increasing shares of variable renewable energy sources.

Renewable energy resources are characterized by intermittency and uneven distribution. The sun shines only during the day, and even then, cloud cover sometimes disrupts solar energy reaching photovoltaic panels. Likewise, wind fluctuates in strength.

Energy is the foundation of sustainable development and its impacts are global.

Furthermore, the highest concentrations of renewable energy (such as the sunniest and windiest places) tend to be located far from where people live. Solar power must be carried from deserts to population centers. The potential for wind power is often highest in remote places as well, including offshore locations. Tremendous hydroelectric potential can be found in distant rivers flowing through unpopulated mountain regions.

Larger power systems are able to integrate higher shares of various renewables. This is because with larger balancing areas there is a natural smoothing of the underlying resource, and bulk renewable power could be delivered over long distances to where it is most needed.

At the UN Sustainable Development Summit held in September 2015, Chinese President Xi Jinping proposed the concept of Global Energy Interconnection as a means to meet global power demand with clean and green alternatives. As a major global platform for the large-scale exploitation, transmission, and use of clean energy, Global Energy Interconnection can be understood as a combination of

Smart Grid technology, UHV Grid technology, and Clean Energy technology. Its structure is characterized by global interconnection dominated by clean energy with heightened and more efficient electricity generation standing at the heart of the endeavor.

The concept of Global Energy Interconnection offers a breathtaking vision of how to harness the world's unevenly distributed intermittent renewable energy resources to achieve the fundamental transformation of our energy system. Global Energy Interconnection represents one of the boldest global initiatives to achieve the goals of the 2030 Agenda and the Paris Climate Agreement. It is a strategy fit for the scale of the most important challenge the world faces today.

The Global Energy Interconnection initiative is ideally supported by the success story of China's ongoing

energy transition. In recent years, China has faced an energy transformation challenge domestically. China's best supplies of renewable energy (especially wind and solar power) are located in western China, whilst most of China's population and energy demand is concentrated on or near its Pacific (eastern) seaboard. China has been solving this problem by building a massive power grid based on ultra-high-voltage (UHV) transmission, which minimizes heat loss along the way. Long-distance UHV transmission is efficient and economical, and China has made major strides in developing this technology.

Since 2004, China has vigorously developed the UHV power grid and achieved all-around breakthroughs in technology, equipment, standards, and engineering. As of 2019, China has built the world's largest UHV AC/DC hybrid power grid. A total of 11 UHV AC projects and 14 UHV DC projects have been put into operation, and 3 UHV AC projects and 4 UHV DC projects are under construction with a total length of UHV transmission lines (in operation and under construction) of 45,000 km and a transregional transmission capacity of 150 GW. Thus,

UHV projects have become a major channel for China's power transmission from west to east and from north to south. Supported by strong and interconnected power grids, by the end of 2019 the installed capacity of hydro-

power, wind power, and solar power had reached 360 GW, 210 GW, and 200 GW, respectively. This increased the proportion of non-fossil fuels in primary energy consumption from 9 percent in 2010 to 15 percent in 2019.

IT'S FEASIBLE

Global Energy Interconnection has brought about new motivation into the global energy transition initiative. Right now, technological, economic, and political conditions are already in place to build the Global Energy Interconnection.

First, *technologies associated with building Global Energy Interconnection are ready*. Technology is ready for large-scale and long-distance power delivery. Critical UHV and smart grid technologies have advanced. ± 1100 kV UHV DC transmission lines can run over 6000 km with a transmission capacity of 12 GW. Hence, the world's major clean energy bases and load centers are within UHV transmission

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range. Also, with advanced large grid operation control technologies, a number of countries and regions have established large-scale power grid security, and stability control and defense systems. They have done so by combining high-precision simulation, wide-area monitoring, and protection and control to ensure the safe and reliable operation of interconnected power grids.

SSecond, *transmitting RE over long distances is economically feasible*. Renewables are increasingly outcompeting conventional energies. In terms of

production, the levelized cost of energy (LCOE) of onshore wind, offshore wind, PV, and solar thermal generation has decreased by 39 percent, 29 percent, 82 percent, and 47 percent, respectively, over the past decade. In 2019, 56 percent of new large-scale renewable energy power generation cost less than fossil fuel generation. By 2025, it is expected that wind and PV power generation will become more competitive than fossil energy.

Instead of being supported by favorable subsidies, renewables will be well positioned to gain market share only due to its market competitiveness. In terms

of energy allocation, UHV transmission projects are able to provide savings for consumers. UHV power transmission can carry bulk hydropower from the lower reaches of the Congo River to the western, northern, eastern, and southern parts of Africa via UHV DC lines. The

retail at receiving ends would be 2-6 US Cents/kWh lower than the local utility power price.

And third, *the political will of nations on cross-border grids has been growing*. Global Energy Interconnection has a great chance to gain further political support. The purpose of Global Energy Interconnection

is well aligned with global efforts to implement the 2030 Agenda and the Paris Climate Agreement.

Already, nearly 180 countries have introduced relevant policies to encourage low-carbon development, including setting specific targets of renewable energy proportion and carbon emission mitigation. Against this backdrop, governments and international organizations are increasingly recognizing the significant role of a robust national grid as well as transnational power grids in harnessing both domestic renewable energy resources and resources from neighboring countries.

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PRACTICAL SOLUTION

Global Energy Interconnection provides a practical solution to tackle the most urgent climate and environmental crisis humanity is facing. Its implementation would have far-reaching implications on global energy supply, economic growth, and lifestyles.

First, *energy transition can be accelerated.* Global Energy Interconnection would function as a platform for production, transmission, and consumption of clean energies. This would ensure a more affordable, sustainable, reliable, and resilient energy supply for the whole world. Dominant resources in the power system would increasingly transition from fossil fuels to clean energies such as hydro, wind, and solar.

According to research by Global Energy Interconnection Development and Cooperation Organization (GEI-DCO), the share of clean energy in the mix will reach somewhere between 70 and 80 percent if Global Energy Interconnection is implemented. Emissions of sulfur dioxide, nitrogen oxides, and respirable particulate matter in the world will decrease dramatically. Water

pollution and ecological damage caused by fossil energy extraction, processing, transportation, storage, and combustion will be greatly reduced. Most importantly, by 2050 CO₂ emissions from energy consumption would fall to

around 11.8 billion tons, which is only half the level of 1990. This would constitute a significant contribution to fulfilling the promised goal of the Paris Climate Agreement to control the global temperature rise within 2 degrees Celsius.

Second, *universal access to electricity can be ensured.* Currently, the global electricity access rate stands at

around 85 percent, meaning that there are still about 840 million people living without access to modern electricity service. The establishment of Global Energy Interconnection would largely improve the ability of power delivery from low-cost renewable resources sites to electrify rural areas. It is estimated that the global electricity access rate would rise to 95 percent by 2035 and 100 percent by 2050.

Third, *economic growth can be fueled.* The establishment of Global Energy Interconnection would involve multiple industrial chains,

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propelling the development of emerging industries such as new energy, new materials, high-end equipment, intelligent manufacturing, electric vehicles, energy storage, energy conservation, environmental protection, and ICT, which would create new growth engines for the global economy.

It is estimated that a total of \$35 trillion would be needed for the establishment of Global Energy Interconnection through 2050, contributing substantially to world economic growth. For less developed countries and regions with abundant renewable energy resources, Global Energy Interconnection represents a unique opportunity to transform resource advantages into economic ones, supporting poverty alleviation efforts.

And finally, *it can serve as a catalyst for improving geopolitical relations.* Historically, major geopolitical, and even military conflicts, originated in part from the fight for control of limited fossil energy resources. The establishment of Global Energy Interconnection would help create a “sharing economy.”

Countries with limited clean energy resources would be able to source electricity from neighboring countries, while countries with abundant renewable

resources could find places beyond their borders to market their excess generation. In doing so, green electricity would be shared among countries and regions. Physical electricity interconnection enables frequent power trade between neighboring countries, which in turn enhances their economic ties, thus creating a community with shared interests.

PROGRESSING TO REALITY

Cross-border and regional electricity interconnections have been expanding around the globe for many years. Transnational power

grid interconnection lines run nearly 10,000 km, with a total transfer capacity of about 250 GW. Several regional interconnected power grids have been formed in Europe, North America, Latin America, Africa, and Asia with ultra-high voltage AC/DC transmission systems of 330 kV and above. This lays a solid foundation for well-functioning regional power trade.

In recent years, cross-border grid interconnection has been gaining momentum against the backdrop of large-scale development of renewable energy in a bid to cut GHG emissions. What follows is a brief examination of the above by continent: Asia, Europe, Africa, North America, and Latin America.

The share of clean energy in the mix would reach somewhere between 70 and 80 percent if Global Energy Interconnection is implemented.

Let us begin with the countries of Southeast Asia. In this region, states have already been interconnected by a dozen extra high voltage AC and DC links. According to the power grid development plan proposed for the Association of Southeast Asian Nations (ASEAN) by the Heads of ASEAN Power Utilities/Authorities (HAPUA), 16 AC and DC projects are expected to be built by 2025 to enhance grid interconnections among ASEAN countries.

GEIDCO, together with the ASEAN Center for Energy and the UN Economic and Social Commission for Asia and the Pacific, jointly conducted a major study that was aimed to present technically feasible pathways for energy interconnectivity. Once implemented, these will help to achieve higher penetration of clean energy in ASEAN. In addition, the same study aimed to quantify the primary benefits of these pathways for sustainable development. Moreover, the study reviewed different regional initiatives to advance regional power integration. This included a China-Myanmar-Bangladesh interconnection with transmission capacity of 4 GW, a China-Vietnam interconnection Project with transmission capacity of 4 GW, and a Kalimantan-Java Island (Indonesia) submarine cable interconnection with transmission capacity of 3 GW.

GEIDCO, the State Grid Corporation of China (SGCC), and the Korean Electricity and Power Corporation

(KEPCO) are leading a pre-feasibility study for a China-South Korea power grid interconnection project. The transmission capacity would be 2.4 GW, and have a transmission cost of about 2 cents / kWh. The electricity price would be about 7 cents / kWh. This is very competitive compared to the average wholesale price in South Korea. The project would become part of the Belt and Road Initiative's energy cooperation endeavors, which would be of great value for clean energy transition in the northwest section of South Korea.

Interconnectors between European countries have already synchronized 5 regions and covers 36 countries. Grid interconnection and electricity market integration have enabled a high level of power exchange among the member states. Current interconnector capacity amounts to 11 percent of installed generation capacity across European countries. In 2018, a total of 440 TWh was exchanged, representing 12 percent of total power consumption. In 2017, the European Council adopted a 15 percent goal for electricity interconnection between EU member states. Every two years the European Networks of Transmission System Operators for electricity (ENTSO-E) identifies key cross-border transmission projects such as Projects of Common Interest (PCIs), which will be given priority in approval and financing processes.

According to GEIDCO's analysis, power flow in the EU and its periphery would have a pattern of intra-continental power transmission from north to south and encompass imported power from Asia and Africa. A fully integrated, high-voltage European power grid would connect wind power bases in the North, Baltic, Norwegian, and Barents seas, hydropower bases in Northern Europe, and solar energy bases in North Africa, West Asia, and Central Asia. Inter-continental and inter-regional power exchange in Europe would reach 133 GW by 2050.

The African continent is split into five different power pools, presently at different stages of development and with very little interconnection capacity between them. Power pools essentially serve as platforms for regional electricity infrastructure planning and development. Despite sustained integration efforts, and growth in generation and transmission capacity within each power pool since 2010, the degrees of infrastructure and market integration effectively achieved vary widely between pools. Further developments in intra-pool and inter-pool interconnection capacity are envisaged and supported by the Program for Infrastructure Development in Africa (PIDA). In 2018, USAID rolled out a Power Africa Transmission Roadmap to 2030.

Also, in 2018 the government of Guinea and GEIDCO jointly launched an initiative to establish the Africa

Energy Interconnection and Sustainable Development Alliance (AEISDA). Supported by 20 African countries and more than 100 public-private sector players, the alliance is promoting clean development and cross-border power grid interconnection projects in Africa.

Five synchronous power grids are operating in North America, including the eastern North America power grid, the western North America power grid, the Texas power grid in the United States, the Québec power grid in Canada, and the Mexico power grid. With more than 800 GW of installed capacity, the eastern North America grid is the largest synchronous grid in the world. Within these synchronous areas, substantial interconnection capacity is already in operation across the Canada-U.S. border, enabling a tight coupling between electricity systems and power markets of the two countries. This results in enhanced electric reliability and security as well as in increased economic benefits. Still, there is a need to strengthen and better integrate electrical grids both on regional and national scales in order to shore up power system resiliency, robustness, and sustainability.

A GEIDCO study proposes that, by 2050, North America could build one inter-continental, seven cross-border, and 18 regional interconnection projects to support clean energy transmission and

use. Power flow in North America would reach 200 GW, achieving mutual support from eastern and western power grids in North America, as well as between North, Central, and South America. The scale of cross-border power transmission capacity would reach 66 GW, and the power transmission capacity across the North American continent would be 10 GW.

A Central American Electrical Interconnection System (SIEPAC) project is linking several Central American countries and further integrating their electricity systems. The first interconnection was completed in 2014, and funding for a second line was secured from the Inter-American Investment Corporation in late 2018.

In South America, existing, under construction, or planned grid interconnections are mainly concentrated in two geographical areas. The northern section includes Colombia, Ecuador, and Venezuela. The southern section covers Argentina, Brazil, Paraguay, and Uruguay. A large program to integrate the electric systems of five Andean Community nations is currently being pursued.

According to GEIDCO's analysis, the power flow in Central and South America would feature hydropower

transmission from north to south, wind power transmission from south to north, solar power transmission from west to east, and inter-continental mutual power support between South America and North America. The cross-border, inter-regional and inter-continental power transmission capacity could reach 91 GW by 2050.

Political distrust and perceived risks to national security have often overshadowed the potential economic benefits when making policy decisions.

ADDRESSING CHALLENGES

Despite the multifaceted economic, social, and environmental benefits of building interconnected power grids, challenges still hin-

der the scaling-up of such cross-border infrastructure. Comprehensive measures should be taken to help bridge the gaps and mitigate the risks for establishing Global Energy Interconnection.

The first such challenge can be described as *facilitating the process of reaching political consensus*. One overriding requirement for regional integration to be successful is that participating states need to have the political will to cooperate with their neighbors. Over the past few decades, several inter-government cooperation initiatives and institutions have been established for regional power integration. However, political distrust and perceived risks to national security have often overshadowed the potential

economic benefits when making policy decisions. For example, energy importing countries are often concerned about external supply disruptions. And in many cases, conflicting priorities between participating countries or insufficient ownership of the regional development agenda hinders the alignment of legal and regulatory frameworks.

If there is a single lesson for the governance of cross-border power system integration, it is that enabling and enhancing the presence of regional institutions is paramount. This is reflected in cases that span a broad spectrum and include bilateral trade, multi-country trading around a set of regional rules, and the full integration of competitive markets in industrialized countries. Significant progress can already be seen in multiple regions of the world, but much more work is still needed.

For cross-border energy projects, regional political institutions could play a critical role in coordinating the interests of member states and keeping political conflicts to a minimum. Regional regulatory institutions are essential for the formation of a variety of agreements as well as the harmonization of market design and regulatory policies—regardless of the degree of power system integration. Regional market frameworks can help facilitate independent or external investment and organize cross-border power trade. Good cross-border power

system governance mechanisms can effectively coordinate market development as well as the long-term planning process. They can enable gradual shifts toward more coordinated and aligned policy and regulatory frameworks. These are essential elements for creating a credible and predictable investment climate for infrastructure investors.

The second challenge revolves around *allocating costs and benefits in a fairer way*. An essential challenge in cross-border interconnection projects is allocating the benefits of cooperation and distributing the cost of capital-intensive power infrastructure among different stakeholders (including transit countries) fairly. Materializing the socio-economic benefits of energy access through affordable electricity in poverty-stricken areas also often requires fiscal support and economic policy intervention. In such cases, how governments allocate budgetary support and recover costs on the supply and demand sides require detailed cost-benefit analysis and careful design of price-setting mechanisms.

When multiple jurisdictions are involved in regional power system integration, cost- and benefit-sharing mechanisms between different parties, including transit countries and regions, need to be carefully negotiated. In addition to monetary cash flows, a fully developed framework should include social

and environmental costs and benefits. These include right-of-way costs, environmental or biodiversity offsetting, system resilience, security investments, as well as external benefits from emission reductions, increase in social welfare, economic spillover effects, and so on. The EU's Agency for the Cooperation of Energy Regulators (ACER) is an example of a regional institution that coordinates cost-sharing arrangements. This suggests that having an unbiased central institution play a role in cost allocation can help move interconnector development forward.

The third challenge is centered on *mobilizing financial resources for cross-border power projects*. Infrastructure projects are generally capital intensive and require longer time horizons to develop properly. In many developing countries, they come at high contracting and bidding costs, and suffer from weak domestic capital markets and credit ratings. While public fiscal space is often limited, such projects could also be unattractive to private financing.

Development finance institutions play an important role in enabling necessary cross-border power infrastructure investment. Multilateral, regional, and national development finance

institutions have helped develop many regional interconnection initiatives, and have contributed to capacity-building, technical assistance, and feasibility studies. Systemic reforms in global financial regulatory mechanisms might be required for development banks to commit more financial resources to riskier regions. For cross-border projects in particular, cooperation between multilateral, regional, and national development finance institutions will need to be strengthened and expanded. This will al-

low different financial institutions to complement each other's comparative advantages. Such cooperation could help support resource-pooling as well as financial capacity building.

The fourth and final challenge can be described as *addressing social and environmental concerns properly*. Given the potential impact of infrastructure construction on land use and local communities, proper line siting and land acquisition could be a costly and time-consuming endeavor, especially in a multi-jurisdiction setting. Potential negative impacts of large-scale energy infrastructures on the environment are another risk factor in cross-border energy projects and could lead to social unrest or project cancelation.

Systemic reforms in global financial regulatory mechanisms might be required for development banks to commit more financial resources to riskier regions.

High standards of social and environmental safeguards and stakeholder engagement are crucial in complex infrastructure projects such as grid interconnection. Meanwhile, developers could also be challenged by lengthy project development and additional investment in due diligence and project design.

International engagement in regional projects particularly need to prioritize local ownership of infrastructure projects. For cross-border energy projects with inherent complications, it is important to ensure high standards of social and environmental safeguards in terms of poverty reduction, environmental sustainability, and biodiversity impacts are coherently implemented and given sufficient space for stakeholder engagement.

NEW GLOBAL VILLAGE

Energy, information, and transportation are three of most significant infrastructure categories that support our modern society. Thanks to the advancement of information

technology and telecommunication, and given that access to the internet is nearly universal, we can justifiably call our world a new global village. With development of highways, railways, and civil aviation, the world is now accessible from all directions.

Technological improvement of the power industry is making large-scale generation, transmission, and distribution of renewable energy resources possible.

Electricity has traditionally been an energy sector characterized by local balance, which means electric power is supposed to be generated where it is needed. Now, change is going to happen. Technological improvement of the power industry is making large-scale generation, transmission, and distribution of renewable energy resources possible.

Think back to 60 years ago: few then dared imagine that personal computers would be found in every home in mere decades; fewer still that smartphones would become an essential tool in our everyday lives. With just these two technological novelties in mind, it is obviously fair to say that we should never underestimate the potential of Global Energy Interconnection. ●

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