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THE NEXT AMERICAN CENTURY

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I

The U.S. at "the End of History"

"The end of history will be a very sad time."

-- Francis Fukuyama, 1989 --

"Hegel says somewhere that all great events and personalities in world history reappear in one fashion or another. He forgot to add: the first time as tragedy, the second as farce."

-- Karl Marx, 1852 --

We are at a great moment in the unfolding of the historical process. Whether it is to be a tragic culmination of history or one of its farcical interludes must be left to the judgment of writers of a more metaphysical bent. What is clear, however, is that U.S. efforts in its forty year struggle with its global rival have finally been crowned with success. This paper will seek to suggest a direction for a U.S. strategy to exploit and build upon its victory.

In so doing, it will suggest a direction for U.S. fiscal and economic policy that might be seen as inconvenient for domestic political reasons. It is beyond the scope of this paper and the skill of its author to suggest political solutions to such political questions. This purpose of this paper is to suggest the optimum arrangement of all the aspects of American power in order to maximize its international advantages. It does so with the recognition that the domestic political process that can deliver such an arrangement may well be convoluted or even impractical. Nevertheless, it appears worthwhile to

demonstrate the international security advantages of initiating such a process.

The current administration has little taste for grand strategy -- "big think" as some of them call it. In part, this is the natural reaction of skilled, experienced and successful operators of the U.S. national security apparatus who long ago learned that events rarely can be accommodated in some etherial grand plan. It may be that the administration's aversion was exacerbated by the disappointing efforts of the bureaucracy's national strategy review during the transition between the Reagan and Bush administrations. Nevertheless, American grand strategy needs to be revisited. Any government that wishes to persuade the American people and their elected representatives to support a continuing large international role for the United States must provide them with a rationale that integrates that role with national capabilities, requirements, and values.

II

The Sources of American Victory

"Surely there was never a fairer test of national quality than this. . . . the thoughtful observer of Russian-American relations will find no cause for complaint in the Kremlin's challenge to American society. He will rather experience a certain gratitude to a Providence which, by providing the American people with this implacable challenge, has made their entire security as a nation dependent on their pulling themselves together and accepting responsibilities of moral and political leadership that history plainly intended them to bear."

-- George Kennan, 1947 --

As a new generation of national security professionals considers its path through unfamiliar international perils, it is worth examining for useful lessons the accomplishments of the builders of U.S. national strategy in the post-World War II era. It would also be fair to pay tribute to American people who sacrificed the lives of tens of thousands of their sons and daughters, spent uncounted billions in treasure, and risked nuclear annihilation to make possible the revolution of 1989.

The entity we have known as the Soviet Union, the handiwork animated by the spirit of the last, the most terrible, and perhaps the greatest of all the Russian autocrats, Josef Stalin, is finally passing from this earth. Whether the rulers of the disoriented remains of Stalin's empire can reestablish it as a modern member of the community of nations remains to be seen. The two seminal documents of post-World War II U.S. national security strategy, George Kennan's "Sources of Soviet Conduct" and

"NSC-68" foresaw "either the breakup or the gradual mellowing of Soviet power,"¹ if the U.S. could contain the USSR.

Why has this prediction been fulfilled at this moment? It may be worthwhile to examine the situation from the Soviet leadership's perspective. While the U.S.' intention has always been -- in effect -- to man the dikes against a floodtide of Communist expansionism, from the Soviet point of view, the U.S. strategy has had all the appearances of a long-term siege of the Soviet Union and its geographically adjacent clients. Soviet military officials never tire of showing U.S. officials their maps that highlight the ring of U.S. bases surrounding the USSR. The U.S., always the party with superior potential, controlled the periphery surrounding the Soviets and the geographical chokepoints controlling their access to the world beyond the Eurasian heartland. It did not risk a potentially decisive offensive against the Soviet inner defenses or homeland. Given the existence of nuclear weapons, this may have been the only feasible choice to combat the Soviets. As in all siege warfare, the decisive elements of the conflict were the availability of outside forces to break the siege ring, the material and moral resources of the defender for long-term resistance, and the will of the besieger to continue his efforts.

The Soviets have not found allies who were both reliable and sufficiently powerful to challenge the potential U.S.-led coalition of NATO, Japan, and -- after 1972 -- the PRC. Indeed, their two decade long military buildup and the accompanying political offensive in the third world at the cost of nearly a quarter of all investment goods and perhaps as much as 20 percent of Soviet GNP seems only to have strengthened the resolve of their opponents, while acquiring only a pitiful collection of third world retainers. Many would argue that the successful deployment of intermediate range missiles in Western Europe after a massive Soviet effort to prevent it finally persuaded the Soviets of the political cohesion of the coalition against them.

With a GNP half as large as that of the U.S. even after a generation-long attempt to catch up, the Soviets have admitted that their economy cannot compete economically with the U.S. and its coalition, especially now that the capitalist world appears to be on the verge of a further technological leap in civilian and military technology. The Soviet military realized as early as 1982, despite its dominance of the heights of the Soviet economy, it possessed inadequate resources to compete with the West in a new technological-military revolution.²

Most important, however, has been the moral collapse of the Soviet empire. While the United States and its allies

steadily recovered from the defeats and self-doubts of the 1960's and 1970's and reasserted the willingness to meet the Soviet political and military offensive in the third world and in Europe, the Soviet leadership entered a debilitating succession struggle. The population of the Soviet bloc spiritually withdrew from participation in the Communist system. As the president of a reformed Czechoslovakia, Vlaslav Havel, said, a moral sickness pervaded the populations of the Eastern bloc. The withdrawal from public honesty by both the leadership and citizenry made sound and efficient government impossible. There is little doubt the USSR possesses the might to halt the unraveling of its empire, but the Soviet leadership no longer believes retaining it merits the use of force and (at least beyond its 1945 border) may even have lost the moral certainty that it has the right to do so.

Finally, the United States was able to build an effective coalition that could maintain sufficient military power at a bearable economic cost. This prevented the Soviet empire from suddenly overwhelming its democratic competition. It bought time so that the inherent political, economic, and moral flaws of the Stalinist system could undermine the powers of the Soviet Union.

Clausewitz once posited that the successful conduct of war presupposed the effective balancing of a triad of military forces, political leadership, and national will.

It now appears that the Soviets -- at the peak of their military power -- have exhausted their national will and could face domestic disaster. Their political leadership seems to have abandoned its sixty year old strategy emphasizing military power in order to rebuild their economic base and to recapture political influence. It is tragic that the courage and perseverance of the Soviet people and leadership in this unequal struggle has protracted the conflict for so long that the Stalinist rot may make the recovery of even a reformed Soviet Union impossible.³

III

"Nous avons sur les bras un homme malade - un homme gravement malade." [We have on our hands a sick man - a very sick man.]
-- Czar Nicholas I 1853 referring to the Ottoman Empire --

The Post-Cold War World

The conventional wisdom on the nature of the post-cold war world runs as follows:

- o The long-discussed multipolar world has arrived and its major powers are the U.S., Western Europe, Japan, possibly a reformed USSR and PRC, and eventually India;
- o The U.S. is in economic decline;
- o Economic power will overshadow military considerations;
- o Ideological factors will cease to be a major factor in international relations.

In short, the post-cold war world will resemble both Francis Fukuyama's bloodless "post-historical world" and Paul Kennedy's world of relative U.S. decline.⁴ It will

revolve around an economic and technological competition among "first world" states that share a commitment to market economies and some form of liberal pluralism. The principal distinction in international affairs will be between the "insiders": the first world, high technology, market economies and the outsiders: those societies either rejecting the first world and left "outside of history" or those without the capacities to enter the first world.

There is much to recommend the conventional wisdom. No one would doubt the increased influence of Japan and Western Europe during the revolution of 1989. U.S. financial markets and the U.S. Treasury are all too aware of their dependence on the flow of Japanese investment. West German financial power seems capable of dismantling the edifice of forty years of Soviet efforts in East Germany in the matter of months, and the EC has managed to contribute the resources to East European recovery that seem beyond the reach of a deficit-ridden U.S. Despite reversal after reversal for its strategic position, Soviet recourse to its sole remaining source of international power, the military, is increasingly improbable, indeed irrelevant to its situation.

Nevertheless, I believe it is worthwhile considering an alternative vision of the post-cold war world that is distinctly less "post-historical" and, perhaps, more optimistic about U.S. prospects for the twenty-first

century. I would argue that the cold war has ended too suddenly to permit the emergence of a true multipolar world. In fact, if U.S. policy makers are not careful in this decade, they will participate in the exchange of a bipolar world for a "non-polar", chaotic one. This is the principal international risk produced by the revolution of 1989.

It is possible that -- should the U.S. accept a role as one of a number of "multipoles" -- no power will possess both the capabilities and the will to assist in the rapid transition from the cold war to a new international equilibrium. This could pose the risk of a chaotic situation with the risk that the transition to a new world order will be accompanied by conflict between great powers or numerous conflicts between lesser powers.

The world has rarely experienced the simultaneous shift of both the balance of international power and the ideological basis of the international system. Such instances have often been accompanied by great conflicts as occurred in the the great Muslim conquest of the seventh century, the Thirty Years War, the French Revolutionary Wars, and the twentieth century "German war" of 1914-18 and 1939-45. Only a predominant power interested in a peaceful transition to a new world order can ensure against such a risk.

Towards a new Geopolitics

Many would argue that the strategic history of the twentieth century has been the history of the conflict over the control of the Eurasian landmass.⁵ Strategic thinkers early in this century considered the key to world dominion to be the ability to control the resources of the Eurasian landmass through military and economic means, not the least of which was control of communications through the railroad. The Hitlerian perversion of such geopolitical thought set the tone for the Second World War. U.S. strategic thought during the Cold War can be characterized as a continuation of this great geopolitical struggle.

Whatever the past validity of the assumptions of the geopolitics of the twentieth century, they now appear less relevant. The last great Eurasian land power has been defeated. A new multinational geopolitics based on global economics, instantaneous communications and two transoceanic multinational "civilizations" has taken its place.

What is the nature of the new geopolitical reality? The globe will be dominated by two great economic-political-cultural "civilizations":

-- The Euro-Atlantic civilization encompassing Western Europe, and the eastern half of North America. This civilization shares political, economic, and cultural values and will serve as a pole of attraction for much of Latin America, Eastern Europe, the USSR, and the Mediterranean.

Its nucleus used to be a Washington-New York-London axis. The center of this civilization is moving. The new center may be shared between the U.S. and EC: a Washington-Brussels, or even a Brussels-Berlin axis.

-- The Pacific civilization comprising South Korea, Japan, Taiwan, perhaps the Southeast China coast, the ASEAN states, Australia, New Zealand, and the Western coast of North America. There is less political, and cultural cohesion to this "civilization" (although some in the region argue it will be guided by modernized values of "sinitic" culture), but economics is drawing it together. More and more the "capital" of this civilization is Tokyo, largely by virtue of its financial preeminence than on politico-military grounds. Political and military influence of the U.S. remains strong. The financial, technological, and commercial vitality of this region long ago overflowed its "borders". In particular, Japanese financial power is visible throughout the globe. Further, the U.S. and Japanese economies are so thoroughly intertwined that they are nearly inseparable. Economic warfare between the two poles of the Pacific "civilizations" would almost certainly result in the economic equivalent of mutual assured destruction.

The Eurasian mainland has lost its attraction. Indeed, it is fragmented and major portions of it are seeking desperately to attach themselves to one or the other of the

two great poles of attraction. The principal objective of Gorbachev's diplomatic revolution is to make the Soviet Union a resident in the "common European home" -- in effect, to attach itself to the technological and economic dynamism of the Euro-Atlantic civilization. If Gorbachev fails, the USSR will be relegated to the fringes of the Twenty-first century. The Chinese modernization program can be interpreted as an effort to make China a part of the Pacific civilization's rise.

One portion of the Eurasian landmass seems to wish to resist the attraction of either pole: the Middle East and Islamic world. Indeed, Islamic fundamentalism can be seen as an indigenous mechanism to resist the cultural and economic blandishments of the enticements of such outside attractions. Even secular governments such as those in Syria and Iraq are hostile to liberal, democratic values. Other more moderate governments in the region face one form or another of anti-Western opposition.

Finally, on the fringes of the two civilizations remains "the South", the developing world which is quickly losing its geopolitical attractiveness now that the great struggle between the superpowers is passing. Having resisted being made pawns in the struggle, many developing countries fear being ignored and permanently marginalized. Certain African countries could indeed cease to exist if not rescued by one or the other of the great civilizations.

Mexico and perhaps its Central American neighbors, fortunately, have the advantage (albeit a mixed one for them at times) of sharing a long land and maritime border with the North American axis of the Euro-Atlantic civilization and will, thus, probably be integrated with it.

The United States, by virtue of its postwar security and economic policies, is in the unique position of being part of both great multinational civilizations. Indeed, it is a legitimate claimant to be a leader in both. The Soviet Union, on the other hand, must now desperately seek admittance with little to offer a civilization whose currency of power is technology, productivity, rapid communication, individual and corporate flexibility and creativity.

There is one area in which the new geopolitics does not operate: military affairs. The nation state will continue to be the engine of war in the world. Governments will not give up control of this final recourse. It is in this area that the conventional wisdom about multipolarity breaks down. There are still only two global military powers and one of them, the USSR, appears to have lost the will to use its power for some time.

IV

Interests

It is the purpose of the United States government to ensure the survival of the nation, to protect its citizens,

ensure the continuity of their form of government and way of life and to foster a world order that will give them the maximum opportunity to prosper economically and spiritually. So what does this mean in practical terms? U.S. interests should include the following:

- o Survival: Prevention of a nuclear or other strategic attack on the United States or a survival threat through global environmental deterioration;
- o Security: a peaceful reordering of the political and military order in Europe leading to a removal of Soviet forces from Eastern Europe and a new more stable security order on the continent; prevention of regional conflicts in key non-European areas (e.g. the Persian Gulf and the Korean Peninsula);
- o Economic: The U.S. must be able to compete financially and technologically at least on equal terms with the other Western economic centers to maintain the U.S. international position and its psychological balance. The addition of further major market oriented power centers (e.g. the USSR, PRC, India or Brazil) would be of long term economic benefit to the U.S. Access to key economic inputs, notably imported oil and to markets for U.S. exports will be key;
- o World Order: A world order in which the two great "civilizations" operate in an inclusive fashion (i.e. seek to assist others in joining their groups) and cooperate to resolve regional and international problems in an efficient manner is in our interest, as would be the modification of multilateral institutions to cope with post-cold war problems;
- o Values: Continued evolution in other nations towards pluralist political systems protecting the human rights of their citizens and the conversion of planned economies to market oriented systems in the East Bloc and the Third World helps secure such values here, makes the world a safer place, and eventually will increase the prosperity of the U.S. A reduction in the scope and intensity of international violence would also benefit the U.S.;

V

Threats

"If your believe the doctors nothing is wholesome; if you believe theologians nothing is innocent; if you believe the soldiers nothing is safe. They all require to have their strong wine diluted by a very large admixture of insipid common sense."

-- Lord Salisbury 1877 --

"Iran will never extend its hand to the United States unless it dies."

-- Ayatollah Khomeini 1989 --

The United States faces internal and external threats to its interests. However, for the first time since the 1930's there is no single geographical and political locus from which such threats emanate. It is possible the United States could enter the twenty-first century without a foreign enemy with the combination of sufficient power and ill will to be worthy of the name. For the first time since the rise of Hitler's Germany, it is not in the interest of the U.S. national security elite to demonize our international competition in order to mobilize public support for our international efforts. In terms of the new geopolitics posited in this paper, it is manifestly not in the interests of the United States to choose between membership in the Pacific or Atlantic civilizations and to lead a crusade against the other.

Domestic Threats: The principal threats to American security are the deficit, the deficit, and the deficit. The three deficits (fiscal, savings & investment, and social) are artificially constraining American international freedom

of action, threatening our long term power potential and undermining American self-confidence, social cohesion and international prestige. Unlike the colossal problems facing Mikhail Gorbachev, the three American deficits can be remedied as soon as the American polity and its leadership muster the courage to do so. If they do not, the United States could become the Argentina of the twenty-first century: a country that betrays its promise and slowly disappears from the international scene through economic failure and the willful misleading of its population about fiscal and economic reality.⁶

Argentinization of the American economy could do further damage by encouraging the natural tendency to blame outsiders for domestic problems. Our economic competitors -- particularly the Japanese -- could be transformed into our international enemies if the current American sense of uncompetitiveness is not remedied. For the past several years Japan has already been listed as a greater threat than the USSR in U.S. public opinion polls, and right wing tracts such as "A Japan that Can Say No"⁷ appear to indicate a certain reciprocal irritation on the other side of the Pacific.⁸

International Threats: The only immediate threat to the survival of the U.S. is the Soviet nuclear arsenal. Even after a START agreement, the modernized Soviet strategic force will be more than capable of laying waste to the U.S.

It is clear, however, that the political probability of nuclear attack from the Soviets is dropping rapidly, unless instability in the Soviet Union were to reach such a point as to threaten the integrity of command and control processes for the Soviet nuclear forces.

Over the longer term, there is the potential of a nuclear threat to the U.S. from either the PRC or new nuclear weapon states. Of particular concern in this regard, is the belt of states stretching from Israel in the West to India in the East. A number of them have acquired or are in the process of acquiring both nuclear weapons and the means to deliver them, including ballistic missiles.

A further long-term threat to the survival of the U.S. could be the global environment. Preliminary estimates of global climate change caused by the combustion of fossile fuels and other man-made processes indicate an increase in world temperatures larger than any recorded in history. Scientific capabilities are not yet sufficient to verify the estimates or their potentially catastrophic consequences (including the loss of much of U.S. food production capacity), but the environmental threat may become the greatest national security threat faced by the U.S. and other nations in the next century.

More immediate international concerns will include the following:

- o The non-polar, chaotic world discussed above;

- o An Ottomanized or Lebanonized USSR⁹ ;
- o Anti-Western fundamentalism.

There is a new "sick man of Europe". The Soviet leadership and its population are suffering a crisis of confidence and competence. If the reform efforts of the Soviet leadership do not succeed, the USSR could slowly lose its relevance to the international environment like the former Turkish Empire. Of greater concern, it is also possible its nationalities problem combined with national demoralization could lead to a Soviet implosion. The Lebanonization of a nuclear weapon state would be a new and frightening phenomenon.

The triumph of the liberal democratic idea is hardly universal. A broad band of states from the Middle East to North Korea are actively (e.g. Iran) or passively (e.g. Saudi Arabia) hostile to Western values and have demonstrated the will and capability to act unscrupulously and violently against Western interests and values and Westernized representatives in their own populations. Moreover, these states are heavily armed and their arsenals are increasingly modern. Iraq and Syria, for example, have thousands of main battle tanks -- as many as the West Germans have on NATO's central front. In addition to the PRC, there could easily be five nuclear weapon states (the DPRK, Israel, Iraq, Pakistan and India) in the region by

2010. Other states such as South Korea and Taiwan are technically capable of joining them.

The anti-Western region (and liberal democratic states such as India within it) cannot simply be left "outside of history", because it includes or borders upon nations vital to the smooth functioning of the post-cold war world, including the PRC, the USSR, India and Japan. Further, it contains a major proportion of the reserves of the one raw material whose disruption still can upset the world economy: oil.

VI

Means

"If it is true that we have emerged victorious from the Cold War, then we, like the Soviets behind us, have crossed the finish line very much out of breath."

-- Deputy Secretary of State Eagleburger 1989 --

The United States is the sole legitimate claimant to global power status in all categories of power: diplomatic, economic, ideological, and military.¹⁰ But a failure to address flaws in the economic and social foundations of its power over the past two decades have eroded the economic and psychological sustainability of American world power. This erosion poses the following risks: 1) U.S. financial shortcomings, domestic needs and their political consequences may force a precipitate withdrawal from the world scene the U.S. did in 1919 and 1946; 2) the psychological impact of the U.S. deficit may overly

constrain U.S. policy; 3) failure to address financial, economic and social failures will undermine U.S. prestige and devalue its international leadership abilities. In short, over the next decade the U.S. will have to choose between remaining the globe's only superpower with the means and the mandate to guide the post-cold war world in the direction of peace, democracy and prosperity, or to reduce its role to one of a set of multipolar powers, with all the risks of global chaos.

National Will: At its moment of triumph, the United States public has been persuaded the country is exhausted and in decline.¹¹ Recent polls do not support the view that the U.S. public wishes to return to splendid isolationism, however. They are concerned about new challenges to U.S. preeminence, not the least of which is the Japanese technological and commercial challenge. Moreover, they appear to have lost the sense of what is expected of them or of the United States in a post-cold war world.

The Economy: The lack of surplus financial resources available to influence international events is the principal weakness in the U.S.' panoply of instruments for statecraft. In the past, the U.S. has been able to apply government funds, loans and investments from surplus private sector resources to foreign policy problems. The lack of domestic savings and investment, the federal and current

account deficits, and the struggle to apply limited resources to critical domestic needs have eliminated such a surplus. Further, the struggle for a shrinking federal dollar is undermining the domestic consensus over an activist foreign policy and support for even a rationally reduced defense budget.

Washington is addicted to fiscal flim flammery, while the opportunity to remedy the triple deficits with unpleasant but relatively simple solutions is slipping away. A recession in the U.S. today would be a financial and political catastrophe, because U.S. budgetary strategy would collapse in the absence of economic growth. It is tragic that the principal fiscal debate in the U.S. at this critical moment is over which political party will be able to increase the deficit through tax cuts which can only exacerbate future rifts in social cohesion in the U.S.

Class politics has reemerged in the U.S. In part, this is due to the stagnation in real incomes for the bottom two-fifths of the American population over the past decade. In the 1980's, the U.S. made a conscious decision to increase the proportion of income retained by the most productive and efficient members of society in order to stimulate economic growth, savings and investment. The growth arrived, the personal savings did not (see appendix 1, fig. 6.) The U.S. has "transferred poverty" to its children, whose talents we will need desperately in the next

century. Appendix 1, figure 5 demonstrates that prior to 1979 "the poor" in the U.S. were disproportionately found among those aged 65 and over. Now, "the poor" are largely children under 16 -- especially minority children.

On the positive side, the U.S. manufacturing sector has recovered much of its international competitiveness. For example, the increase in U.S. exports was the fastest among the G-7 countries from 1986-88. Manufactured exports to Japan are growing at 35 percent per annum. U.S. workers remain the most productive in the world, and the U.S. market is vital for exporters of all descriptions. (This may also present a future risk, since the U.S. will have to run annual trade surplusses in the \$80 billion range to service the international debt it has accumulated since 1982.)

Diplomatic Means: Certain tools long beloved of American diplomacy, such as NATO and similar bilateral security ties in Asia, will be devalued by the demise of the Soviet-American conflict. However, on the whole the U.S. diplomatic position is enviable. The United States currently holds a central position in almost any model one can construct of the post-Cold War world. Of the major contenders for the positions of major powers in a multi polar world, the USSR, the PRC, an integrated Western Europe, and Japan, the U.S. has closer ties with each of them than they have with any other actor.

The key to Gorbachev's foreign policy remains a close working relationship with the U.S., especially now that the spectre looms of a reunified Germany. Whatever happens with NATO, the West Europeans will look to the U.S. to balance against a still nuclear armed USSR to the East and the economic competition of Japan beyond. The U.S. Japanese security relationship remains to both sides' advantage, and the Japanese need the U.S. to mediate with the EC over the future of the world economy. A U.S.-Japanese economic and security condominium has the potential to dominate the planet. To the extent any government is close to the PRC, the U.S. better fills the role than any of the other potential powers at this moment.

Military: Since the late 1970's, the United States military has successfully rebuilt its capabilities. The quality of its personnel, the strategic thinking through which they would be employed and the tools they would operate with have all been markedly upgraded. The U.S. military is the best suited in the world to play a global role due to its superior capability to project power and its forward deployment. Although U.S. strategic nuclear force improvements -- especially the land based leg of the nuclear triad -- have been slow, it is more than capable of deterring a nuclear attack by the USSR, especially as improvements such as the D-5 SLBM are deployed. However, there is neither the fiscal possibility nor the need to

maintain the current force structure given the Soviet withdrawal from Eastern Europe and the change in Soviet intentions it implies.

The U.S. will need to be able to project significant ground forces on a prompt basis to deal with serious regional contingencies, not the least of which will be conflicts with tank heavy regional forces in the Persian Gulf or on the Korean peninsula. Current U.S. naval, air and ground capabilities, even with projected cuts can deal with such contingencies. The key questions will be whether the U.S. budget and public can support even such a reduced capability.

Political/Ideological: Outside the Islamic world, the United States is the strongest pole of political, ideological and cultural attraction in the world. Even in Western Europe -- whose combination of economic intergration, parliamentary democracy, and the social market economy is the U.S.' chief competition -- U.S. mass culture sets the pace, to the chagrin of many on both sides of the Atlantic. Islamic fundamentalism in various forms will be a strong factor in countries as diverse as Nigeria and Pakistan, but its reach is limited to the reach of the faith. The PRC's viability as an ideological inspiration was spent a two decades ago. Latin radicalism and authoritarianism have both been set aside by almost all their adherents. Although the Japanese combination of

strong social consensus, bureaucratic direction, and liberal political values may increase in appeal as its economy dominates, this is not the case outside a few instances in East Asia up to now.

Given the lack of political competition the choice will be forced on the United States either to take responsibility for ensuring the continuation of democratic trends, especially in areas outside of Central Europe, or to permit the liberal-democratic trend to wane. In areas such as Latin America, South East Asia, sub-Saharan Africa, and Southeastern Europe, democracy is not a naturally flowering plant. Romania and Bulgaria, for example, have never known a single day of democratic rule prior to 1989. Their social and evolution does not on the surface appear to support the liberal concepts of minority rights within majority rule. Latin American democracy has had a spotty history at best. Sub-Saharan Africa has seen few successful multi-party elections and the ethnic divisions and economic underdevelopment of those societies will hardly lend themselves to a natural evolution towards the liberal-democratic ideal.

Thus, the good news may largely be out on the democratic trend. American resources and political engagement will be necessary to continue the positive trend in developments. American political expertise, public diplomacy, economic assistance linked to democratization,

and patient, persistent diplomatic pressure in the direction of democratization will be key to preserving the gains of 1989 and extending them.

VII Next Steps

What steps should the U.S. take to ensure its preeminence into the next century? Among them are the following:

- 1) Maintain nuclear deterrence with reduced arsenals. Ideally, this could include a strategic arsenal even below the START levels, possibly mixed with strategic defenses capable of dealing with third country threats;
- 2) Rebuild the financial, economic and technological foundations of U.S. power, including elimination of the federal deficit, and the creation of consistent merchandise trade surpluses capable of servicing our international debt; rebuild economic, development, and security assistance to world power levels;
- 3) Renew U.S. prestige and self-confidence through addressing social imbalances and ills, including investments in human capital targeted on the nation's children;
- 4) Seek a new relationship with the USSR designed to remove it militarily from Eastern Europe while integrating it politically and economically with the Euro-Atlantic "civilization";
- 5) Maintain and utilize the United States position at the center of international diplomacy to encourage peaceful evolution of a post-cold war world;
- 6) Craft conventional military forces emphasizing global mobility, technological superiority, and high quality for intervention in regional conflicts at the expense of active duty force size and procurement of current generation of weapons;

A few specific actions would advance the United States along several of these fronts. In particular, an American fiscal policy which would eliminate the federal deficit

(adjusted for full employment) in three to five years would address a number of constraints on U.S. domestic and foreign policy. There are a number of avenues that could achieve such an objective, including short term freezes on spending and federal benefits, cuts in defense expenditures to the tune of tens of billions of dollars,¹² a moratorium on tax cut proposals, a one or two year halt in income tax indexing, sharp increases in tobacco and alcohol taxes, consumption, pollution, or energy taxes. In a nation which spends annually \$35 billion on tobacco products, \$24 billion on jewelry, \$44 billion on personal care, and \$26 billion on toys,¹³ there is ample room to impose consumption taxes without damaging the social fabric. A spending and tax program can and should be crafted to eliminate the federal deficit and to address other national problems, such as overconsumption of polluting energy. Reduction of the fiscal deficit will in and of itself have a direct impact on U.S. saving.

The United States may wish to consider as well a reorganization of the federal budget process to include an "investment" account. All federal expenditures are not equal at a time of a perceived lack of U.S. investment and saving. A proper investment account would include expenditure for improvements in infrastructure and in human capital. It may be inappropriate to apply Social Security surpluses (in the context of a balanced budget) to such investments. Human capital investments should be directed at the nation's

children. Programs of interest could include apprenticeship programs to produce highly qualified workers in the industrial and service sectors similar to those adopted in West Germany through a government- business-labor program. Another program might include federally sponsored "international competitiveness" scholarships awarded to students who surpass standards based on the levels of achievement of some of our principal international competitors.

In the international arena, the U.S.' central diplomatic position should be used to form a series of shifting diplomatic coalitions with the purpose of resolving regional or global problems. For example, one could envision a U.S.-Soviet-Japan coalition negotiating with the EC regarding trade and market access issues. The "four plus two" negotiations on German unification are another example of a post-cold war issue-specific diplomatic coalition.

The probability of a major super power war has declined and the warning time available before such a war could be initiated has increased drastically. It is now possible to conceive of a conventional active duty U.S. military designed to fight one or two "half" wars -- regional which might require as many as six Army and Marine divisions along with supporting tactical air and naval support. The U.S. force structure designed to fight the great European war against the Soviets might soon be able to be based primarily in the U.S. in the reserve structure. It seems likely that the next

century could open with a conventional U.S. military giving greater emphasis to U.S. bases and strategic mobility. With the exception of the Korean peninsula, it is no longer possible to predict easily where the next battlefield may be, nor the identity of the enemy.

VIII

The Next American Century

American concern about its global position is misplaced. The world is on the verge of a second American century. American political and cultural values are sweeping much of the globe. The fate of the world economy still hangs on that of our own economy, which is still nearly twice as large as its nearest competitor. The American military is visible on every continent. A rational effort to deploy its resources at home and abroad for the purpose of international leadership will ensure an American role in nearly every important international issue well into the next century.

The United States entered on to the international stage as a great power at the end of the last century. With each succeeding decade American influence increased and by the end of the Second World War this century was widely described as the American century. The first American century has closed with the planet at its most prosperous and with the widest dissemination of individual freedoms in human history. The United States has engaged successfully in a global competition with totalitarianism for fifty years and has emerged with a

stronger and freer society than it started with. The agenda for the United States for the next century is to continue the strengthening of its own society while ensuring that the similar gains are available to the rest of the planet.

ENDNOTES

¹"X" "The Sources of Soviet Conduct," Foreign Affairs Vol. 65, No. 4, Spring 1987, pp. 852-868. "NSC 68, A Report to the National Security Council," Naval War College Review, May-June 1975, p 57,62-3, 68.

²Soviet military writings and speeches in 1982, most notably those of influential General Ogarkov, discussed a revolution in military technology led by the West which would require an increase in the resource requirements of the Soviet military. (These speeches also highlighted the need to revamp the Soviet economy and the technical quality of the Soviet soldier.) See Holloway, David, "Gorbachev's New Thinking", Foreign Affairs, Vol 68, No. 1, 1989, p. 72 and Larrabee, Stephen F., Foreign Affairs, Summer 1988, pp. 1002-1004.

³See Brzezinski, Zbigniew, "Post Communist Nationalism," Foreign Affairs, Vol. 68, No. 5, Winter 1989-90, pp. 1-25 and "2", "To the Stalin Museum," Daedalus, Vol. 119, No. 1, pp. 295-343.

⁴Fukuyama, Francis "The End of History?", The National Interest, No. 16, Summer 1989, pp. 3-18. Kennedy, Paul, The Rise and Fall of Great Powers: Economic Change and Military Conflict from 1500 to 2000. New York: Random House, 1987.

⁵Brzezinski, Zbigniew, Game Plan: How to Conduct the U.S.-Soviet Contest. New York: The Atlantic Monthly Press, 1986.

⁶Many would argue that the worst danger of this may have passed in 1985. "Argentine economics" is characterized by domestic inflationary policies, high deficit spending, tax disincentives for exports, high protectionism, and grossly overvalued currencies to protect domestic purchasing power. With the severe devaluation of the dollar in 1985 and resistance to increased protectionism, the U.S. may well have avoided immediate "Argentinization".

⁷Ishihara, Shintaro & Morita, Akio, "A Japan that Can Say 'Mo': The New U.S.-Japan Relations Card," unauthorized translation, 74 pp., 1989.

⁸Shafiqul Islam, "Capitalism in Conflict", Foreign Affairs, Vol. 69, No. 1, 1989/90, pp. 172-82.

⁹These terms were coined respectively by cite TG Ash and Zbigniew Brzezinski (see "Post-Communist Nationalism," op cit, p. 2).

¹⁰Huntington, Samuel P. "The U.S. - Decline or Renewal?", Foreign Affairs, Vol. 67, No. 2, Winter 1988/89, pp. 76-96.

¹¹"Introspective Electorate Views Future Darkly, Americans Worried for Children, Skeptical of Government Solutions," The Washington Post, Jan. 21, 1990, pp. 1, 24

¹²For a rigorous attempt to cut the U.S. defense budget in real terms by over 40 percent by the year 2000 see Kaufmann, William W., "Glasnost, Perestroika, and U.S. Defense Spending," The Brookings Institution, Nov. 1989. Savings of such a magnitude, however, could only be achieved through a combination of defense reform, successful START and CFE agreements, and a reduction in U.S. power projection capabilities.

¹³U.S. Department of Commerce data.

APPENDIX 1
U.S. Social and Economic Developments

Figure 1
EMPLOYMENT, UNEMPLOYMENT & JOB CREATION
1970-1987

	Employed (in millions)			Jobs Created			Unemployment %		
	U.S.	Japan	FRG	U.S.	Japan	FRG	U.S.	Japan	FRG
1970	78.7	50.1	26.1		n/a		4.9	1.2	0.5
1980	99.3	54.6	25.8	20.6	4.5	-0.3	7.1	2.0	2.9
1987	112.4	58.3	25.4	13.1	3.7	-0.4	6.2	2.9	6.9

Figure 2
SAVINGS AND INVESTMENT IN U.S. 1970-1987
(in millions of dollars)

	1970	1980	1987
Business	106.8	199.0	561.1
Personal	57.7	104.6	104.2
Total Private	164.5	303.6	665.3
Total Gov't	-10.6	-69.4	-104.9
State/Local	1.8	4.5	52.9
Federal	-12.4	-69.4	-157.8
TOTAL	154.7	238.7	560.4

Figure 3
COMPARATIVE INTEREST RATES 1980-88

	Discount Rate			Money Market Rate		
	U.S.	Japan	FRG	U.S.	Japan	FRG
1980	13.0	7.25	7.5	13.36	---	9.1
1985	8.0	5.0	4.0	10.62	6.34	6.87
1987	6.0	2.5	2.5	--	--	--
1988	---	---	---	7.51	3.42	3.7

Figure 4
RELATIVE GROWTH IN PRODUCTIVITY
(change in output/hr. 1977=100)

	U.S.	Japan	FRG
1970	80.8	64.8	71.2
1980	101.4	122.7	108.6
1987	132.4	170.5	132.4
	annual % change		
1970-80	2.3	6.6	4.3
1980-85	4.1	5.6	3.4
1985-87	3.3	2.9	1.5

Figure 5
TRANSFERRING POVERTY

Year	Persons 65+ yrs old below poverty line	% group	Persons under 16 yrs below poverty line	% group
1970	4.793 million	24.6	10.235 million	14.9
1979	3.682 million	15.2	9.993 million	16.0
1987	3.441 million	12.2	12.435 million	20.0
[50% are black or Hispanic]				
National 1987 32.54 million below poverty line 13.5 % of population.				

Figure 6
Income Distribution in U.S.
(share of income in percent)

Income Group	1980	1987
lowest 20%	5.1	4.6
second 20%	11.6	10.8
third 20%	17.5	16.9
fourth 20%	24.3	24.1
top 20%	41.6	43.7
top 5 %	15.3	16.9