

THE BROOKINGS INSTITUTION

U.S. GRAND STRATEGY:
WORLD LEADER OR RESTRAINED POWER?

Washington, D.C.

Friday, October 17, 2014

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P R O C E E D I N G S

MR. SHAPIRO: Okay, thank you. Thanks for coming and welcome to Brookings. My name is Jeremy Shapiro and I'm a Fellow in the Project on International Order and Strategy. We have an interesting program today. At the moment, I think if you've been reading the news recently, and I try not to, it's sort of one of those moments in world affairs where I think foreign policy and American strategy are sort of coming up in salients and everyone is very interested, even scared of things like ISIS and Ebola and revanshinished Russia.

So, at Brookings we call moments like these opportunities, but I guess they're also challenges, and I think they challenge us to examine first principles, to elaborate new strategic approaches possibly and to test some of our assumptions.

So, we, at least at Brookings or at least in my project, are trying to rise to that moment, and I think we have today what are in my humble opinion the two best minds in the U.S. to help us in this task. It's safe to say I think from a careful study of their writings that they have different opinions on this subject. I've known them both from quite a long time, and with every article I read from them and with every conversation I have, I always learn a great deal. Sometimes I sort of emerge with my world view shaken, and I have to go back to my office and steady myself, so I'm hoping that they will be able to perform for you this very sort of discomfiting but valuable service.

So, to my left we have Barry Posen who's the Ford International Professor of Political Science at MIT and the Director of the Security Studies Program which is the program that is so august that I failed to graduate from it. (Laughter)

MR. POSEN: Complicated reasons.

MR. SHAPIRO: To my right is my Brookings colleague and -- I should have said, I'm sorry, that Barry is most recently the author of the book *Restraint: A New*

Foundation for Grand Strategy which conveniently is available for sale at the front of the room, so buy it.

And to my right is Robert Kagan who is a Senior Fellow here at our Project on International Order and Strategy and the author of many books including recently *The World America Made* and also this essay in the most recent version of the *New Republic: Super Powers Don't Get to Retire -- What our Tired Country Owes to the World* which I would heartily recommend. It's not available for sale, but it is on the Brookings website.

So, just to begin I think I'd like to start with the simple question to both of you which is how would you describe America's grand strategy today, and what do you think, assuming you don't like what it is, what do you think it should be, and why don't we start with you?

MR. POSEN: Well, thanks, Jeremy. It's good to be here. Good to see you, Bob. Good to see all of you. I have a warm spot in my heart for Brookings. I wrote half of my dissertation two floor up in a little cubbyhole, so it has a certain old-home feel to it.

The book, which is one of the occasions for me being here, is a pretty straight-forward account. I basically look at U.S. post-Cold War grand strategy in terms of its evolution. I offer a critique. I discuss the political outlines of an alternative, and I discuss the military outlines of an alternative.

Obviously I'm not going to try and sort of even preview the whole book here, but there's two things that I would like to talk about in terms of the way I think about this. One is the strategy as it is today and my critique of it, but also to talk about the essential security position of the United States which I think underlies a lot of what I'm saying.

Now, from my point of view we have a lot of consensus across the political spectrum in the United States on U.S. grand strategy, and I call that grand strategy "liberal hegemony." I think maybe I got the term from John Ikenberry who I think also uses the same term, and both words matter. The strategy is hegemonic because it not only built on the great power position the United States enjoyed when the Cold War ended, and it sometimes fetishized the maintenance of that power position, so one of the purposes of the grand strategy is to try and stay really at the top of the international heap and to try and get a pretty good gap between the Americans and everyone else, and that's hard to do, and I don't think we have a good plan for doing it but I think there's that impulse there.

And then the second part of the grand strategy is that it's liberal which is to say we were the liberals. The good guys won the Cold War. We know how to organize societies. We know how to organize international politics, so in the broad sense the United States of America should be using this great power to help create liberal democracies to defend extant liberal democracies, to spread the market economy to sustain globalization and free trade and to build international institutions that can manage all this. So, both hegemonic and liberal; these two things travel together.

All right, now, I think that this strategy has run into trouble, and there's many aspects of the trouble. One is just embedded in its nature because there are so many projects in there; the strategy doesn't set priorities very well. And the second problem that it's run into is the project has turned into quite a marshal project. Bob Work who's the Dep-Sec-Def has a little briefing that he does where he basically compares the frequency of the United States being at actual war during the Cold War and in the post-Cold War period, and in that slide he suggests that we've been at war about twice as often (inaudible) measured in terms of, like, months of over per period (inaudible) in the

post-Cold World War than we were in the Cold World War, so it's been a quite militarized strategy, and there's other more political science kind of people who collect the same data who more or less come to some of the same conclusion.

Now, for me this is odd because for exactly the reasons why we're talking about hegemony being possible and being attractive to the United States which is a really, really powerful country ought to be pretty safe, and it shouldn't really be necessary to be at war as often as we've been at war.

Look at the facts about the American situation. The U.S. is still a very, very rich country, and even if you look at pretty optimistic, from the Chinese point of view, projections of their out-year GDP, the United States will be still be one of the top two or three economic powers of the world till 2050 or well after. So, the United States has a very good economic base to be a powerful state and to build a powerful military and to defend itself, and it's a great continent.

This continent -- we keep finding cool stuff in the continent that helps run this economy, like we just -- I've gone through the period when everybody was tearing their hair out about energy dependence and importing oil. Well, somehow, somehow people dug deeper and they found that stuff here, so the continent has been very generous to the Americans as a people and it continues to be, and it's a good part of our security base.

We sit behind oceans, right? These oceans matter for many, many kinds of military power, right? Even for irregular military power, these oceans matter. They're a great buffer for the United States.

We have relatively weak and pliant neighbors to the north and south and if some other power were going to try and use those neighbors as a jumping off point for the United States, we would have a whole long time to react, and we have a lot of

capability with which to react.

U.S. has a great military. We started really building up the modern American military around 1940 or so, and we have seldom stopped, so we have a terrifically capable force in terms of its professional abilities. We have a great military research and development base which builds fantastic weapons. Now, the weapons are always too fantastic, too costly, come in late and over budget. You can never afford as many of them as you would like, but in the end we get pretty good weapons out of the system, and other people envy us this capability, right?

U.S. is also a nuclear-weapon state. Now, nuclear weapons are not (inaudible) a benefit for humanity, but they are a fact of life, and the United States is the most powerful nuclear-weapon state in the world, and it's very hard for any country to really threaten to do much damage to a powerful nuclear-weapon state with an assured retaliatory capability. It's very hard to do, right, so this is another addition to America's basic security position.

And finally in terms of international trade which some people worry about, something like 30 percent of America's trade is in this hemisphere, and the rest of it is scattered over many other countries, so the idea that there's like some small set of political events that could really rattle the American economy by virtue of cutting America off from world trade, it's just not very plausible.

And, of course, if you look at the big percentage of American trade, (inaudible) of that is with China, and in one hand they were talking about how wonderful this is, and then on the other side of the river they're talking about the military power that that trade enables and how that military power needs to be opposed.

So, this whole idea that international trade needs to be protected because it's an unalloyed benefit to the United States, probably not quite right. I'm not

saying I don't like free trade. I'm just saying this needs to be qualified, right? So, on balance, the security position of the United States? Really fantastic, right?

Now, I look at the grand strategy that we have, and I look at the wars that we've fought, and I ask are there any problems with this grand strategy? Have we seen any problems emerge? And I would say I've seen three.

You should stop me when I've -- you know how academics are. We'll just blather on forever.

Basically three sets of problems. One is given by the basic realistic insight that just as America is out for its security and out for itself, other countries are out for their security and out for themselves. So, if the Americans are going to be so concerned about their power position, so concerned about improving their power position, so inclined to use military power to effect political outcomes, other states are going to scratch their heads and not all of them are going to think it's good for them, right?

Capable states will often balance, right, and we've seen some balancing happen. We've seen it in China. We've seen it in Russia. Some balancing is internal. States build up their own military power. Some balancing is external. States concert action against the country they believe to be the greatest threat, and we're seeing some of this.

Now, it's been interesting how little we've seen, and we've seen less than people like me predicted in part because the gap between the Americans and other countries is so great, but that gap is shrinking. Other countries are developing some capability that they can mobilize to tilt with American projects.

Second realist insight is that your allies are not your blood friends, and we have two problems with our allies that are given by the fact that they're very concerned about their own interests. One is that allies cheap and free ride. If the

Americans are willing to do the heavy lifting to provide world's global security, they're going to do less.

The Americans are spending 3 to 4 percent of GDP on defense in recent years, Japanese spending one, Europeans one and a half, one and 3/4. Countries are not holding up their end. They benefit greatly from the international system, and these are not poor states. They're trying to recover from World War II. These are rich states. This is welfare for the rich that the Americans are providing in the security sphere. So cheap and free riding (inaudible), problem for us because we do more, others do less. They do less; we have to do more. It becomes a self-licking ice cream cone.

And then the final problem is reckless driving, which is some American clients and allies feel so comfortable in the American embrace that they do bold and adventurous things I think in the belief that we're providing an insurance policy, right, and sometimes it's leaders whose names we know. Karzai is this kind of person. Malaki is this kind of person. Sometimes it's governments. I think the Israeli's are reckless drivers, particularly in this project about settlement in the West Bank. I don't think what they do is good for them, but forget whether it's good for them. That's their business. It's not really good for the United States, but we're occupied with many other things. The relationship seems very tight. We asked the Israelis to stop this policy. We ask every six months. We've had no effect whatsoever, so we pay some little price for the reckless driving that comes from the extravagant insurance that the United States provides, so that's one problem.

The second problem is the problem that I alluded to earlier if you read the *Global Futures Group* from the National Intelligence Counsel and you look at their out-year projections, other states are just getting more capable economically and technically. States are and groups are, right? So, the Americans had this very great,

favorable power position when the Cold War ended, and you can think about building a hegemonic policy on the basis of a really favorable power position where there's a big gap between you and others. Well, that gap is shrinking. It's destined to shrink; exactly the rate and exactly how much, unclear, but it's shrinking and I think you can start to see some of the problem that are coming from it, right?

And then the final problem that I'd like to sort of just say something about is nationalism. Whether or not there's been a resurgence of identity politics in the world to maybe just before the Cold War ended or since the Cold War ended, or whether it was always there. We just didn't notice it. Hard to tell. But identity politics; very powerful force in the world. Politics in many parts of the world was organized around identity. It's organized around nationalism or around ethnicity, around religion, right?

And one thing we do know is that self-aware groups -- and I'm not saying that this is genetically given; it's given by history. Self-aware groups, right, don't like being governed by other self-aware groups. They just don't like it. And they don't like it when the groups come from next door, and they don't like it when the Americans come to visit, right? So, the cost to some of these projects when the Americans go abroad to try and rewire somebody else's politics, it can be very high because locals just aren't going to be that hospitable to the problem, right?

So, I'll close it right now and just say, well, what's the remedy? Well, the remedy is obviously captured in the title of the book. The book is called *Restraint*, and it means be restrained. It means do less. It doesn't mean do nothing, but it does mean do less, so there's three things that I think the Americans need to be concerned about. One is the enduring interest in there being no hegemon that describes the entire Eurasian land mass. This might create enough power that the United States security really could be harmed. I don't think it's likely to happen. I'm not even sure it would really cause a

problem if it did, but I think it's an experiment we probably don't want to run.

I think the Americans need to be concerned about the proliferation and the capability to build nuclear weapons, but I'm very skeptical that Americans can prevent this, so I think it's more of a management problem.

And finally, we do have a problem with a certain class of political groups that decides to use violence on a global scale. People use different terms; global terrorism. This is a threat to the safety of the United States, and the Americans need tools for managing this, but we have to find tools that don't simultaneously exacerbate all these little problems that the Americans have faced in the last 20 years; problems that I talked about earlier in the talk, so that's the capsule story.

MR. SHAPIRO: Thanks, Barry. So, Bob, Barry doesn't want us to retire, but I guess he does want us to be a little bit more restrained. Do we owe more to the world than that?

MR. KAGAN: Wow, you just pulled all those things out and put them all together. That was great, Jeremy.

MR. SHAPIRO: That's what moderators do.

MR. KAGAN: No, that was fabulous. You know, as I was listening to Barry I have to say, and this is because I just happen to be working on the period of American foreign -- much to my boss's chagrin, I'm still working on the period before World War II -- and I have to say that practically every argument that Barry just made for restraint in the present period was made by the Barry Posen's of the 1920s and 1930s, and I'd be happy to get you the citations. The smartest people around, whether it was Walter Lippmann until he ultimately changed his mind, the leading strategist who wrote for the *Times*. It goes on and on, and their arguments were exactly what Barry says: (a) protected by two oceans, (b) the capacity of and likelihood that any nation is going to

cross those two oceans and attack us, very small, (c) we've got a great economy, doing really well, and largely self-sufficient. I mean America was engaged in trade, but if we'd lost some of it, we would survive. And ultimately a lot of bad things might be happening in the world, but it was very unclear what they would have to do with us.

And so I'd say the closest we came -- now, Barry's not calling for complete withdrawal from the world -- although we weren't really withdrawn from the world either, completely. The closest we came to following Barry Posen's policy was in the 1920s and '30s, and by the way, at that time as well, richest country in the world, certainly in the 1920s and I would say probably even during the depression, although we were less rich than we had been we were still the richest country in the world. In 1921 we had the largest navy in the world. Eventually we allowed that to fritter away because what was the point? After all, we were secure.

And so when I want to begin to talk about this grand strategy that we have been following since World War II, I want to talk about -- and answer the question because I think it's a reasonable question and it's one that's on people's minds is why? Why? How did we get here? And the basic answer is -- and it's not, by the way, the strategy was not formed in response to the Soviet Union. The people who formulated the strategy largely during World War II were not thinking that the Soviet Union was particularly going to be an adversary.

The strategy was formed in response to, as strategies often are, the events that had taken place particularly in the 1930s and what was perceived to be the general breakdown of an international order which took all kinds of forms, seemingly minor and irrelevant acts of aggression by Japan and Manchuria or by Italy and Ethiopia, the seemingly reasonable reoccupation of Germany's own territory by German in 1936, but all of which in retrospect appeared to be a cascading collapse of the international

order. No one event looking like it threatened American interests such that we really needed to respond to it, but the collective consequences turned out to be rather dramatically terrible.

And it was similarly with the breakdown of an economic international trading system and the creation of (inaudible) economic trading blocs by the various countries and similarly the rise of tyrannies who turned out in the American estimation at least to be more likely to be aggressive than the rather more moderate governments that they had replaced.

And so the grand strategy was formulated around three basic principles. One, that the United States really needed to be not only engaged in the world on a regular basis but forward deployed in the world; that we couldn't wait until the threat had become such that the only solution to that threat was to send 10 million soldiers to go fight Germany and go fight Japan.

I notice in Barry's writing he talks about we responded correctly to German and Japan. Yeah. It would have been better probably if we didn't have to send the 10 million soldiers overseas and prevented the war from occurring in the first place, so the idea as Franklin Roosevelt put it was to step on the snake before it bit you which meant a kind of forward-deployed strategy in a physical sense but also a kind of forward-leaning policy so that things didn't get out of hand and become the kind of major crisis that would really be so much more expensive than actually preventing it from happening in the first place.

The second element was, of course, to create an international -- as much as reasonable and given flaws in human character -- a reasonable free trade system, so that you would not have the world devolve into atoxic economic blocks which was perceived to be a reason for growing conflict.

And finally that although the United States never pursued this policy consistently, but by and large to promote a more democratic world on the theory which seemed to have been validated during the period of the 1930s that on balance, tyrannies tended to be more aggressive and dangerous.

Now, as it happened, the Soviet Union, I mean almost immediately after this strategy had been formulated the Soviet Union sort of emerged and became the focus of this strategy, but I do think it's important to recall that the strategy was aimed at preventing another breakdown of the international order, and that's why to me it seems as relevant today as it did when it was formulated despite the fact that many decades have gone by.

The geography of the world has not fundamentally changed. The number of countries, the sort of geopolitical realities have not fundamentally changed, and the role that the United States played, it seems to me, is still relevant, and I want to focus in particular on one aspect of that role which was prior to the United States stepping in and becoming, you know, to use the term an "onshore balancer," if you will, both Europe and Asia had become cockpits of war with an endless cycle of conflict.

In the case of Asia, Japan, and China, in the case of Europe, Germany, and France -- and they had both proven absolutely unable to settle this problem themselves, to bring some kind of stable peace. It was only really when the United States stepped in, and not only stepped in but stayed in, that we really put an end to that cycle, which by itself I would have to say if you look at the grand sweep of human history is one of the most remarkable accomplishments that has ever been taken by any nation, and we have enjoyed the consequences of that ever since.

Now, I'm going to say when I read Barry I feel like you tend to look at the costs of pursuing this grand strategy and not so much at the benefits of it. And I'd hate to

have you as my accountant because it would be all about the expense and none about the money that was coming in, but I would like to say that -- and by the way, I want to freely admit that the policy has had its flaws. It's had excess. It's led to mistakes. It's led to costly mistakes. I think that's what foreign policy is. I don't know of a foreign policy that avoids all mistakes.

You can have a foreign policy that is sort of forward leaning that goes to excess in leaning forward. You can also have a policy that is backward leaning and restrained, but is restrained to excess as I think was the case in the 1920s and '30s. I sometimes think that the only perfectly conducted foreign policy is the foreign policy that's being conducted in Barry's head, but in the real world we all make mistakes and it's the human race, and mistakes are part of the picture, but acknowledging all the errors that are made on a regular basis I would say that in three fundamental ways this grand strategy has produced a rather remarkable set of conditions in the international system which we dare not take for granted.

One that I've already mentioned is the absence of great-power conflict which is unprecedented. Now some of it may have to do with nuclear weapons, although I don't think all of it, and I don't want to test the proposition that you can have a sub-nuclear war between great powers. My instinct tells me that you can, and Americans and Chinese plan for one on a daily basis, so I think it's more than that. I think it's the position the United States occupied in these important theaters.

The second has been a period of economic prosperity that is absolutely unprecedented in human history. I mean as you all know throughout most of human history global GDP growth on an annual basis was approximately well zero. Then during the industrial revolution it was maybe 1 1/2 percent to 2 percent a year.

In this period, since World War II, global GDP growth has been going

upwards of over 4 percent per year. It's an amazing period of prosperity. Four billion people have been moved out of poverty during this era, a lot because largely because we have, in fact, avoided the great-power conflicts that are so destructive of the international economy, but certainly also because we've enjoyed a relatively free-trade environment which has, in fact, benefited everyone including obviously people in China and people in India and people in Brazil and people in Turkey and elsewhere in the world.

And finally we have obviously enjoyed a period of democratic growth that is unprecedented in human history. I mean you can count the number of democracies throughout most of history on one hand, and we now have over 100 democracies in the world. That's pretty extraordinary and unique, and let's not imagine that this is simply the condition of mankind, that we've all just gotten better. We're just better. I mean this is sort of Steven Pinker's thesis. We're just better. We've evolved.

I look around the world and I see lots of instances where it doesn't appear that we've actually evolved. To my mind, some of this has been achieved because of the basic structure of the world order which American power has under-guarded. And to imagine that if America retracts this power and retracts this influence that we'll get the same world order, the same benefits of the world order strikes me as somewhat fantastic.

And this is the other part of Barry's argument that I'd be curious to hear what your thoughts are about this. Barry talks about drawing down American support for allies like Europe and Japan on the theory that they can manage for themselves, and I'm sure that Japan would re-arm, would invest itself with the kind of power it needed to take the place that the United States is providing, and I have to say much as I like the Japanese the thought worries me, and I can assure you that it worries the South Koreans, and it worries the Chinese, and it worries others in the region. The notions of

Japan returning to becoming a military powerhouse increasingly independent of the United States seems to me to risk taking us back to the very cycle that the United States was able to break after World War II.

Similarly, although it seems like a more distant problem in the case of Europe, I don't want to experiment with the idea that the United States that has played this stabilizing role in Europe -- although, by the way, we don't have that many troops in Europe now anyway -- but to have increasingly independence on both sides of this sort of divide between Russia and Europe, I just don't -- I don't want to really take the chance of finding out where that goes.

And so as a final word, is this a costly foreign policy? It is. It is a costly foreign policy. The question is what is the cost of the breakdown that in my view would likely ensue if we stop spending this money to maintain this world order? I would argue it is a lot cheaper to maintain now, and we are, by the way, capable of maintaining it, and that's something that we can continue to argue about.

It's a lot cheaper to maintain this order than it will be to reconstruct it after it's collapsed. I mean you can save a lot of money on your car if you don't buy insurance, but when you get into an accident it's going to cost you a lot more money. That's why we buy insurance, and I would say the money that we've been spending even if it has sometimes been more than we would wish, and even if the outcomes are not everything we would desire, it has been preferable to the cost that would come from a breakdown in the international order. So, I'll leave it there and see where we go from here.

MR. SHAPIRO: Okay, thank you. I think we've surfaced a couple of differences. (Laughter) Makes the questioning kind of easy. So, Barry, I'm wondering if you can address some of those points and particularly, I mean, Bob has just described a

world order which has brought us peace, prosperity, and democracy; not such bad things.

And you're sort of contemplating taking us back to an era in which we had to have a sort of confidence in other people. Essentially we had to have a sense that allies would respond in ways which we might predict but which, I guess, maybe we can't be sure of. So, I'm wondering how you see the risk in sort of standing back and the risk in waiting and how you integrate that into your strategy?

MR. POSEN: It's not always 1935. (Laughter) There's some questions you have to ask, and I'll just start with these observations. There was once something called the 100 Years Peace from 1815 to 1914. It didn't depend on the United States of America being the hegemon of Europe. It didn't even really depend on Britain being the hegemon of Europe. Countries found a way to regulate the relations of one with the other. Now I'm not saying that our situation's identical to that. All I'm saying is don't fixate too soon on a particular period however horrible it was, and it was plenty horrible, as the only possible model for international politics.

I address some of this in the book. The first question as far as Bob's point is the probability of breakdown. The probability of breakdown depends on many factors, right? One factor that Bob mentioned which I think is a very important factor is nuclear weapons, right? And in Europe, right, most of the great powers, France, Britain, Russia. These are nuclear weapons states. There's not really much that they can do to each other, right, without risking their own complete destruction.

Second, there isn't really a candidate for hegemony in Europe in terms of their relative power position. When Germany can bid for hegemony and the Soviet Union can bid for hegemony, they dwarf the powers of others in the region. This is not true of Russia today or any power in Europe today, so I think Europe is a -- it's not the 1935 Europe that is (inaudible). We could talk about that in another place.

Now, Asia's a little bit different, and if you look at the book I sort of recommend somewhat different paces of moving towards a strategy I prefer in the two parts of the world because as I mentioned earlier, I am concerned and remain concerned about the potential for hegemon in Eurasia which is one of the main things that I still worry about.

Second, I think we should always ask this question: consequences for whom? Right? I start from a point of view of U.S. national security. I outlined what I thought was the U.S. national security position. This provides a very big buffer between the United States and bad things that can happen abroad. This big buffer that Bob pointed out, in fact, served the United States extremely well in the 1930s and 1940s. The Americans suffered very few casualties in the war. The Americans emerged from the war stronger than everyone else.

Now, this is a not very pretty way to think about international politics, but in my camp the realist camp, we at least put this hat on sometimes in order to clarify our thinking. So, consequences for whom? And I think the United States is well placed to assume some of these risks even if the risks were as high as Bob says they are, which I don't believe they are.

The third is the cost of maintaining this order. Bob's quite sure that we could maintain this order in this way at a modest cost. I think this was quite true when the Cold War ended. It's still somewhat true, but the trends tell us it's going to be less true.

Now, just let me give you one example of what's happened to the cost structure. The United States spent as much money in real dollars to bring the Iraq War to an unhappy stalemate which has since deteriorated as we spent to bring the Viet Nam War to an unhappy stalemate which deteriorated. Now, in the Viet Nam War, based

upon my not very refined calculations, it appears that we had to outspend the adversary in terms of dollars by about a factor of 10 to 1. In the Iraq War we had to outspend the adversary by a factor of well over 100 to 1, maybe 200 to 1. So, same amount of money, right? The adversary in Viet Nam had open charge accounts in the arsenals of the Soviet Union and China. Adversary in Iraq? No such luck. Something has happened.

This diffusion of power that the Nick talks about is raising the cost of U.S. projects; a certain class of project which is inherent to the global hegemony story. It's raising the cost of those projects quite significantly, and it's probably going to raise them a lot more.

So, Bob concedes that it's hard to have this kind of foreign policy without mistakes. It's hard to have any foreign policy without mistakes. Especially hard to have this one, and given the record, we're going to keep spinning the roulette wheel for kinetic activities because it seems to be part of the project. You're running into buzz saws, and some of it has to do with enhanced capacity, and some of it has to do with its marriage with identity politics, but you bring these two things together and the costs of some of these projects are high, and we add to this that the relative economic gap, which is really the foundation for military power between the Americans and other significant powers in the world, is shrinking, which means that the cost of maintaining this policy are going to go up, and they're going to go up a lot. So, it may seem like a bargain at the moment, and to some I think in America it doesn't seem like a bargain, but it's going to seem like less and less of a bargain.

Now, the final thing I would say is if you, again -- looking at the book as I set it up, I was conscious of some of the concerns that Bob has, and I have some of those concerns myself, which is why if you look at the last chapter of the book which talks about the military strategy and the military fore-structure to support the grand strategy of

restraint, it's a pretty lush capability.

Now, it's not what it is today. I've got the defense budget down to about 2 1/2 percent of GDP, and I think I can keep it there, but it gives you a big navy, big air force, lots of space power, hard-hitting expeditionary force, so this mistake that the Americans did in fact make in the 1930s, which was to give the particularly ambitious jump in terms of building their military power which provided windows for them to jump through, I try and ensure against that possibility in the fore-structure military strategy that I build.

MR. SHAPIRO: Thanks. So, Bob, I wonder if you could sort of get at this capacity question. It's at least seemingly strange that a strategy that was devised when the United States had -- 1945 something -- on the order of 50 percent of world GDP it's still affordable as we've seen this sort of dramatic shifts in relative power, both to other nations and to the diffusion to people and small groups as Barry was talking about. And just conveniently for this exercise, the IMF declared the other day, I think, that China's now bigger than the United States in purchasing power priority measures of GDP, which is, you know, only symbolic but at least interesting of the trends.

So, when you say that the strategy can be afforded, does this cause you any worry; the trends that you see out there that Barry described?

MR. KAGAN: Well, not as much worry as it seems to cause everyone else or at least a lot of people. Needless to say, the 50 percent of global GDP that the United States had at the end of World War II was completely ephemeral and was not ultimately the reason the United States was able to establish the strategy. It was able to establish the strategy largely because of its unique geopolitical position and the overall sort of strength of its economy, which has been enduring.

Now, when we talk about slipping as people are talking about -- and by

the way, I must say I went over the IMF projections looking forward 20 years from 20 years previously and you'd be surprised that there is some variation in what those projections project, and we are assuming a continuing growth of the Chinese economy at a certain clip without disruption, without domestic political problems, without external problems, without environmental problems in order to arrive at a situation where the United States goes from having roughly 25 percent of GDP to having something under 20 percent of GDP.

I'm sorry, that is not a revolution in my mind. Even if it were true and even if you -- and especially if you regard the fact that the reason China has such a giant GDP is because it has a giant population. The per capita GDP of the United States is 10 times higher than the per capita GDP of China, and as some people have pointed out, China's GDP in 1800 was also bigger than Great Britain's GDP in 1800, but that really didn't have much practical consequence.

Now, I don't make light of China's rise, but when we talk about capacity and we start talking about economic capacity, you have to look at what this rise of the rest is all about. If it were the case that every power that is now developing a larger share of GDP and global wealth was hostile to the United States and was going to gang up on the United States, then I would say that would be a problem.

But in a way the opposite is true. Some of the fastest growing economies in the world today -- and by the way, all those fast-growing economies have slowed recently -- belong to countries like India. Well, in the case of the geopolitical strategic situation, where is India's power likely to be thrown? On the side of the United States in a conflict with China or on the side of China? Well, the answer to that is obvious. Brazil's growth seems to me to be awash in terms of its geopolitical consequences, ditto for South Africa's growth or Turkey's growth.

The question is whether this growth of the rise of the rest has geopolitical relevance, and for the most part it doesn't, and of course, the greatest and most dramatic decline of American GDP in history -- share of GDP, was from 1945 to about 1970 when it went from 50 to 25 and what was the cause? The cause was the growth of the economies of Germany and Japan. Was that a net negative for the United States or a net positive, and particularly for this world order?

When we talk about affordability, we are spending right now roughly 4 percent of GDP. Throughout much of the Cold War we spent over 10 percent of GDP. Barry would like to cut it to 2.5 percent of GDP, so we have a massive shift in doctrine between 4 percent and 2.5 percent of GDP? This is a revolution?

The truth is the United States can sustain 4 percent of GDP in terms of defense spending. It has sustained it. As everyone knows, the fiscal crisis, which by the way is already diminishing as a result of American economic growth is not a product of the defense budget. It's the product of the growth of so-called entitlement spending, health care costs which themselves are apparently increasingly coming under control.

The American economy continues to grow. Right now the growth of the American economy is the envy of most of the rest of the world including some of the famous bricks. Russia's growth I just find hard to imagine being sustained over time, especially if oil prices fall. So, if you just look in terms of shear -- if you talking about economic capacity I don't see any reason why the United States can't continue to sustain this.

MR. SHAPIRO: Well, Barry, it's fun to answer that stuff if you want, but I also have another question which is a slight change of tack, but I think it's interesting that in this discussion we've been focusing a lot on the sort of question of Eurasia, of China and Europe, but actually American foreign policy debates are very frequently, in the last

several years, overwhelmed by the Middle East, and we haven't brought it up a lot. So, I'm wondering what your strategy says about the Middle East? What your strategy says about -- and how you view not just the recent American intervention in the Middle East but also the interventions over the last 10 years; what you think they say about what America needs to do moving forward?

MR. POSEN: I don't want to get too deeply into the question of capability, but I think Bob is right that one should be careful about linear projections of particular Chinese growth rates, but many of the projections that are out there are not linear projections of a particular rate. They assume a downward trend in the general rate of Chinese growth consistent with what's happened to other powers as they've gone through that period. That's point one.

Point two, Jeremy mentioned purchasing-power parity. Purchasing-power parity which was the cousin methodology, the methodology the CIA used to count the size of the Soviet economy back in the day, the Sov's never had about half of America's GDP and purchasing power parity, probably worse at international market prices, so the Chinese economy at that measurement is already equal to or ahead of the United States economy and at market prices it's about half. And you can also go into sort of some of the deeper aspects of the Chinese economy.

In terms of the dollar value of industrial output, I believe the statistics -- IMF, World Bank, suggests that dollar value of industrial output is more or less the same. In other words, industrial days that supporting China in a very crude and lumpy sense is producing output comparable to the Americans.

Now, qualitatively, it's not comparable yet, and it'll be years before it's comparable. But these are big changes. There's a lot of capacity there that I think we have to think pretty hard about, and we have to understand that interaction affects

international politics, right? As others become more capable, they begin eyeing one another as possible coalition partners.

Bob is right. If you look at India today it looks like their interests are probably comparable to ours. They're not volunteering to be America's cat's paws. They may never be America's allies, but China's in a position where it does have to worry about problems with India, maybe new problems with Russia, maybe old problems with Japan. And Bob's right. This is good for us. From Bob's point of view the Americans should take care of all these people, and they can continue to do what they do, and China will be contained.

From my point of view these countries have capacity and they have interests and they can help contain China, particularly given how far we're going to have to reach to be competitive with this country if this country does stay on the growth trajectory it's on. China is going to be very, very demanding.

And then finally this business about sort of share of GDP expense spent in the past, share of GDP (inaudible), entirely true. The United States of America decides it wants to really compete. Decide is a big term we have to remember in our country. We haven't been very good at deciding much of anything recently. To decide is a big thing. Decide to go from three or four or six or seven percent of GDP, this is a big thing. It's part of the reasons why Bob is so energetic. He knows it's a big thing. The American people need to be persuaded of this.

So, all I'm saying is that Bob is right. There's a lot of potential in this country. There's a lot of potential in other countries to be marshalled, right? But the relative power tends to be what counts for a lot in international politics, and in terms of relative power the position that the Americans have which permitted the launching and implementation of this hegemonic policy, this position is on the wane. Now, it may be

true that we can still run a hegemonic policy on a much-diminished level of superiority. That's also a social science experiment. That's also a social science experiment.

Now, you wanted to talk about the Middle East. Gee, it's a big region, right? My take -- I talk about different aspects of it in the book, and you can see some of the things that I'm quite energized about. So, one of the things I'm energized about it trying to re-organize the domestic politics of other countries (inaudible) vehicle some kind of American military intervention. I talk a lot about the costs, but I think we also have to talk about the level of cause/effect knowledge that we have to pursue these strategies, and I think on the whole we've demonstrated our cause/effect knowledge is lousy. So, we can go into a place. We can knock over a regime. We can shake up the local politics. We can bring in the sort of the kind of principles that we have and we hope will work; you know, an election, election monitors, trying to re-write constitutions, bring in sort of NGOs who can advise on this, and there's lots of things you can try and do, but if you're trying to do it while others are violently resisting you, even if it's only a small part of the population, very difficult.

And even if they're not trying to resist you violently, you can look at places where the violence is past, but the populations are still resisting. There's only four and half million people in Bosnia-Herzegovina. We have yet to create a happy multi-ethnic-liberal democracy in Bosnia-Herzegovina, and we did our intervention many, many years ago.

Iraq has 25 million people. Syria, actually it's up to 30. I think Iraq -- Syria has about 25 million people, right? These are incredibly large jobs, so it's not so hard to knock the governments, the regimes over. It's very demanding to launch a counterinsurgency and bring it to a kind of ugly stalemate which we seem to actually know how to do. And then it's even more hard against the backdrop of doing that, right,

and in the aftermath to turn the whole situation into some kind of self-sustaining democracy. So, my bottom line is don't go to the basement. This is not something that you want to -- that the United States of America wants to be involved with.

So, this raises the question so what interests do the Americans have in the Middle East, Persian Gulf? First, I actually think we have very few interests in the Middle East/Persian Gulf. We have an affective tie to the state of Israel which is fine given the domestic politics of the United States. I've got no problem with it. I have some affective ties myself, right?

I think we pay some costs for those affective ties. I think we need a better job of managing those affective ties, but the state of Israel does not explain what I believe to be a -- let's put it "a defensible factoid," which I think is about a quarter of the U.S. defense budget, and defense spending non-war goes to prepare for contingencies in the Persian Gulf. That's not explained by our connection to Israel. It's explained by something else. It's explained by some set of hypotheses about oil, right? About energy, about oil. That's what (inaudible).

Now, if you go looking for a coherent defense of what those hypotheses are and if someone would lay out the argument for you and defend it, you'll be hard put to find it. The argument is advanced on the basis of "Well, it must be obvious. There's oil. You can't let the oil fall into somebody else's hands." Well, I'm not sure I know what the answer is, but I will credit -- I will credit, and I credit in the book as a working hypothesis that it would be a bad thing if one of the states in the Persian Gulf -- and there's really only one that has the power to do it, or maybe two -- say one Arab state controlled the bulk of the resource, it would probably be a bad thing, a mischievous thing, right? So, I think the United States can loan its support to states that feel vulnerable to conquest.

We've done this in the past. It's quite inexpensive. We don't need to be

there. The whole solution would be expeditionary, and I'm prepared to entertain the hypothesis this is sufficiently in the interest of the United States of America that we should allocate some military power to it. I'm not entirely convinced, but I'm also not entirely convinced that the proposition is wrong. It needs work. I started doing some of the work a while ago. I didn't get to finish it for the book. Maybe I'll go back to it. If any of you want to do this kind of work, go with my blessing, right?

Now, there's another problem attached to oil which I think is very hard for us to deal with, and that's oil problems attached to internal politics of these states, right? Civil war in these countries, right? Now, we ended up in such a situation in Iraq. It's not why we went there. We went there for other reasons, but we ended up with the problem of having to organize the politics of the state to create even any hope that it was going to be able to export a couple million barrels a day, and I don't believe that had that been the reason why we went the game would have been worth the candle.

But the little oil states are not the problem. There's one big casino in the Persian Gulf and it's Saudi Arabia, and this is really the \$64,000 question which is not should the United States be willing to help the kingdom or the successor to the kingdom defend itself if it feels like it's under threat from the outside, say from the Iranians? I can see the point.

The question for us is how close do we want to get to this regime? Does oil matter so much to us that we need to think about intervention into the internal affairs of Saudi Arabia at some nameless date in the future? And that we should be voting much of our policy to try to help this regime defend itself from threats from abroad and threats from within and maintaining the kinds of capabilities it would take to intervene in that conflict which is this -- on the same level quantitatively as the capabilities we committed to Iraq for so many years with such an indeterminate outcome?

This is the big question, right, and given all the costs we've paid for running this experiment in the past and given the huge sensitivities in the Islamic world to having American forces in that part of the world, I think we have to give this a miss. So, what I'm saying is here I'm prepared to believe that oil's an interest. I think it's been a big driver in U.S. policy. I think the proposition is under argued. It deserves to be argued more. I think there's some things that look sufficiently low-cost that we probably should continue to do them, but there's other things that are looming off on the horizon, never discussed, right, politically incorrect to even discuss it, right, that the United States needs to think really hard about, and I've come to my conclusion, and other people can come to theirs.

MR. SHAPIRO: Bob, do you view the Middle East (inaudible)?

MR. KAGAN: I'm sure I view it differently, although I don't disagree that it's worth considering exactly what our interests are in the Middle East. I love it that realism as a doctrine gets to change its mind because I remember a time when realist doctrine was very clear on the importance of preserving the access to oil. Bob Tucker in the last 1970s said that was the one thing that he could imagine fighting for and it makes sense.

Now, of course, our national reliance on Persian Gulf oil has dropped considerably, but then the economists will point out that oil is a fungible commodity, that the world economy depends on oil, and that if the oil spigot were shut by conflict in the Middle East that the results would ultimately come back to affect us, so I don't, by the way, find that a very difficult argument to understand, but maybe it's, you know, maybe it is a difficult argument to understand.

Beyond that we have a military alliance. It's not just -- it may have been an effective relationship, but it is now actually a military alliance, so there's some

price to be paid for not fulfilling commitments that you've made for decades as a nation.

And then finally, what Barry didn't mention, although he's written about it and he's thought about it is what do we do about violent extremism that has the potential of striking the United States at home? And sure you can say let's beef up homeland security and maybe in addition to canceling flights from West Africa we can cancel flights from Middle Eastern Europe and Asia and we can seal off both our borders, but of course not everybody's very confident we can really pull that off, and it has been the judgment of multiple administrations that it may be necessary on occasion to go actually fight these guys where they're operating from and where they're basing themselves before they get out of hand. So, what value interest Barry places on that, I mean, he can answer that question, and what it's worth to deal with it is a question that we're all wrestling with.

I do want to say, by the way, that we've never invaded a country in the Middle East for the purpose of rearranging its domestic politics, and I'm sure Barry knows that that is a myth when it comes to Iraq; that democratization of Iraq was an ex post facto justification after the weapons were not discovered, and that was not the reason that Bush went in, whatever Paul Wolfowitz says. (Laughter) The reason was Saddam's personal behavior as a serial aggressor and the fact that it was thought that he was developing these weapons of mass destruction.

Now, once having gotten into Iraq the options as to how exactly to set up the right government were not easy. We could have set up the Shia dictatorship that currently exists right now and see how that went. We could have put the Sunni's back in charge and seen how that went, but it was generally felt that neither of those would be stable, and I don't disagree.

Putting back together countries that you've invaded is often not an easy thing to do. We've been successful in some cases, unsuccessful in other cases, and it

wouldn't be the reason that I would invade any Middle Eastern country.

So, it really does get down to the question of whether we have interests that are worth defending and require defending in the Middle East, and I would say if there was one President of the last 70 years who would be very eager to pursue Barry's policy, it's Barack Obama, and yet he has found himself once again getting involved in the Middle East and not because the neocons are forcing him to, but because it's his judgment that that has to happen. He doesn't like it. He would like to do as little as possible, but he hasn't found it satisfactory as ISIL is spreading itself around the region to stand back and do nothing.

So, when I initially laid out my grand strategy view, it did not have the Middle East in it. I still think the main ballgame is the two big theaters of Europe and Asia, but it's -- I know we're not a smart country, but it can't just be pure stupidity that has had the United States involved in the Middle East as consistently as it has been for almost 70 years now, taking place of the previous powers that had been involved in the Middle East. I mean I'm glad there are smart people who know we shouldn't be doing this, but we and the British and the French and everybody else haven't figured it out in a hundred years, so maybe we'll figure it out.

MR. SHAPIRO: Don't underestimate us. (Laughter) So, we have about half an hour left. I'd like to go to the audience for questions. We'd ask you when you ask your question to identify yourself and where you're from and also to ask an actual question. That would be super great. Why don't we take Justin in the back row there?

MR. LOGAN: Thanks very much. Good talks both. Justin Logan from the Cato Institute. This question might seem a little out of left field, but I think it might be useful and illuminating. In sort of political-theory terms, where do you see your preferred strategies or your debating antagonist strategies situated? Would you call your strategy

appealing to a person of conservative cast of mind? Of a liberal cast of mind? Because I think you can tell a story about both of the strategies that they fit one place or the other, and if you refrained from saying everybody should agree with it, that would help.

MR. KAGAN: I would certainly refrain from saying that. Don't worry about it.

MR. SHAPIRO: Let's take a couple of questions, and then --

MR. KAGAN: But then you have to remind me what the questions are.

MR. SHAPIRO: Okay, I'm writing them down. Jerry?

MR. MITCHELL: Thanks very much. I'm Garrett Mitchell and I write *The Mitchell Report*, and I also agree with the characterization of the discussion and appreciate the fact that there was no fight over fans.

As I looked at the title for today's discussion it occurred to me that it lacked a second path, which meant that the discussion would ultimately be sort of in the abstract which in a sense it has been in part because I (a) haven't read the book and therefore, (b) can't say what does restraint actually mean.

The second half of the sentence, it seems to me, would be "What should American grand strategy be in an era of failed states and weakly governed spaces where the instrument that moves in is terrorism?" And instead of talking about the Middle East or South Asia, it looks to me as though it's moving around the globe, al-Qaeda having just announced that it's going to open up a new branch in India which to them really means the former Indian continent, et cetera.

So, I wonder, as interesting as this discussion has been, the difficulty I've had with it is that it's been more in the abstract, and what we know is that grand strategy is an interesting thing to have, but when grand strategy meets events that's where it gets tested, and it seems to me that if there's a central theme right now about the new world

order it is this notion of failed states and weakly governed spaces and the nexus with terrorism, and I'd love to get either or both responses.

QUESTIONER: Thank you. My name is Powel (inaudible), editor of the Sherrack Report. To you sir, Mr. Kagan, you indicated that although, of course, the relative position of the United States has diminished as it should have because as you pointed out in 1945 half the world was destroyed, so it's no wonder we had 50 percent of global GDP. However, many have pointed out in recent years that our means of -- give us power and influence have diminished in relative terms but also in absolute terms. You were a bit positive in your -- some earlier comments saying, "Well, things are not so bad. The U.S. economy may not be so great, but it's still much better than everybody else, et cetera." Others, and I would be among them myself, consider the loss of altitude of the U.S. economy quite a significant, perhaps systemic, transformation from 3 percent growth a year to 2 percent a year. The explosion of the national debt, you pointed out it's diminished. It's still \$400 billion a year and trending up in the out years as we know unless we fix the entitlement problem. We have really difficulties maintaining a 4 percent GDP devoted to defense. You pointed out correctly that during the Cold War it was 10 percent, and nobody argued about it. In the Reagan years we managed to get to 7 percent I think for one year, if I'm not mistaken, and then it's been down ever since.

So, in other words we do have a problem when the underpinnings that sustain these more ambitious or forward-looking, if you wish, foreign policy leaving aside the difficulties of actually getting certain things done and the ability to transform power into influence, which, I think, also brings up his point about terrorism and other asymmetric threats. But are you really convinced that the underpinnings of United States power, that is, our economy is all together healthy or that it should need significant corrections and improvements in order to restore the fundamentals that sustained an

interventionist policy with all the problems and shadows that you pointed out and both of you have recognized? I am concerned about the ability to sustain it. Thank you.

MR. SHAPIRO: Yes, it seems like everybody has a report. (Laughter)
Why don't we stop there, and we can start with you, Barry. You can take on any role of that that you want.

MR. POSEN: Well, thanks for the question, Justin. I think it's pretty clear that there -- if you think in terms of say American political parties that there are factions in each party that might find the strategy attractive. From the point of view of political philosophy, it's kind of an odd problem because there's a lot of resources that might come back to the United States if you changed the strategy and all the resources are not necessarily money. Some of them have to do with horse power. Some have to do with attention.

I think I can divert a percent or a percent and half of GDP to something else. If you're a deficit hawk, contributes to the deficit. If you're a infrastructure nut which is a new thing which I think would be very consistent with say business Republicans who formerly existed and may still do, there is something for you. If you're a Libertarian and you want to lower taxes and give the money back to the American people, you got it. If you're a Libertarian and you don't like a really strong national security state that has big server farms that are keeping meta-data on you, I think a less active foreign policy might create less necessity for that.

So, I think the argument should cut across parties and should cut across political traditions, and it really gets to the point of what individual Americans or groups of Americans in their own hierarchy of values even within their little stove pipe ideologically, where in that hierarchy of values today do they see what matters the most?

Now, people in this room will probably -- or you better than I can -- but as

I understand it the general level of support for an activist foreign policy in this country has been dropping for many years, not just since Iraq but since before Iraq. There's a spike over -- you can get a spike when somebody does something particularly awful, right, but in general it's diminishing and we can -- pollsters are not very good at telling us why, but in the context of what I said a second ago, it just seems that within these individual sort of ideological camps there must be some sorting out of priorities that's happening.

So I think these domestic first principles that people have within whatever group they are, I think those domestic first principles are starting to have a better chance of fighting against the old set of first principles which, again, going back to things that Bob and I talked about long time ago in the hour, have to do with the Cold War.

I mean I think the American people -- people came to this country so they didn't have to worry about that stuff over there. That's their right as Americans, right? And it takes a big, sustained, steady thing to get them to pay attention. We had a big, sustained, steady thing. It was called the Soviet Union and the Cold War, and it had a lot to do with gluing together a constituency. Now we have a whole bunch of different problems of different types, and it doesn't seem to have the power to glue together a constituency.

I don't want to talk too long about this question about failed states and breeding grounds for terrorism. This is basically been a pretty standard trope in American strategic discourse since 9/11. Before that the trope was failed states and really awful negative externalities, refugees, smuggling, crime, human rights violations, right? So, we've been dealing with this failed-state problem for twenty-some odd years, maybe a bit more.

I think you want to ask whether or not you want to build a while foreign

policy around that. I'm not saying -- again, I do talk about it in the work -- that there isn't (phonetic 01:10:21) a serious problem with groups who decide that transnational violence is -- solves their problem. I agree with that, but what I'm very skeptical about is that getting at that problem through the vehicle of trying to un-fail failed states with American power and American political reorganization capacity, it's not only is it a very expensive way to solve the problem. I'm pretty sure it doesn't solve the problem, right?

I don't think it's that much of coincidence that much of the ISIL leadership passed through our jails. You go to visit places. You run high-style counterinsurgency. It means you're going to round up and lock up a lot of people, and you're not going to kill them all, and sooner or later you've got to cut them loose, and some are going to be mad. And they're all going to be better educated in doing what they do, so it's a perpetual-motion machine. We need some other way to think about this problem.

MR. SHAPIRO: So, Bob, where do you lie on the political spectrum?

MR. KAGAN: Historically big foreign policies generally have been associated with the more progressive of the two approaches. If you go back and go back to the time of the War of 1812 and the Monroe Doctrine, you sort of had John Quincy Adams and those guys who wanted to have kind of more involved foreign policy, and then you had the conservatives who were opposed to it. If you go flash forward to the end of the 19th Century, it was sort of the Roosevelt progressives who pushed for a big foreign policy, and the sort of conservative Democrats of their day who tended to be resistant to that. In the '20s and '30s I suppose it was the Franklin Roosevelt progressives verses the Robert Taft conservatives.

It all changed around the time Eisenhower and because of the Cold War, and then you had both sides really committed to it and for various reasons and for different reasons, and that sort of is the consensus that Barry is talking about which still

kind of hangs on today.

So, on the Republican side it's now not for progressive reasons. It tends to be for conservative reasons. I mean national security reasons or perceived national security reasons, and they get a lot of mileage out of saying the other guys aren't tough enough and they aren't protecting America. And on the Democratic side if you're talking about sort of the Clinton approach, it's more the progressive, we ought to be helping, we ought to be trying to advance American principles. These things get merged together in Raegan and then Bush was one way before 9/11 and then he was another way after 9/11, so it's a little bit hard to pin down.

My general view is that my approach is a liberal approach, not a conservative approach. That doesn't seem to help the label I get, but never the less, that's the way I would -- that's what I would say.

Let me just answer the American economy question which is I'm not an economist, and I can't predict what's going to happen. Now, I do talk to economists, and maybe we have to get our economists together. I don't play one on TV either, but I mean I do talk to economists and the last economists I talked to pointed out that in, I think by 2020 the United States is going to be the world's largest producer of oil and gas, outstripping the Saudi's. That while it might be true that sort of old industries of the United States may be becoming equal to China, but the United States has moved forward in these other realms of sort of the Googles of this world. I personally don't know what the value of that stuff is, but it's making a lot of money, and Facebook and what have you, so as usual the United States seems to be still at the cutting edge of whatever is coming next.

Now, I would agree that we have structural problems in the economy. As I say, it ain't defense spending. It's still this entitlement approach which I think everyone

agrees if you look at the Domenici Report or the Rivlin Report, it has to be gotten under control somehow, and it's very difficult to do politically, and that gets right to the heart of the question of can democracies solve problems like this, but I don't know how to weigh those problems because, again, power is still a relative phenomenon.

I don't know how to weigh that against the problems that we know China has, the problems that we know India has, the problems that Brazil has, et cetera, et cetera, the problems that Europe has.

The United States has this wonderful pattern of dragging the whole world into a terrible recession and then being the first one out so that it, you know, kind of leads -- kind of benefits from the disaster that is inflicted on the world, so we may have done that again.

So, it's not that I can't -- let me just make it clear. What goes up must come down. The day will come when the United States is no longer able to do these things. It's just a question of deciding when that is, and as I look around the world today I don't think we're there yet. I think even with China, in the best of circumstances, as Barry pointed out, they face a terribly difficult strategic situation which is that they're surrounded by great powers that are scared of them. That's a problem. (inaudible 01:15:57) who happened to be backed by a super-power off in the distance. That's a problem for them. I don't even want to talk about Russia's strategic problems.

So, I think that it is possible to sustain this, not forever, and not -- I can't account for disasters that may occur, another recession, a depression, who knows, but at this moment I would say I'm cautiously optimistic.

One question was about failed states. What was the other question? Is that it?

MR. SHAPIRO: Oh, yeah.

MR. KAGAN: Okay. I don't want to be the country responsible for fixing every failed state in the world because -- and by the way I'm not so sure that failed states is such a new phenomenon. I think that we're still dealing with the impact of decolonization. We're still, as we know, in the Middle East, dealing with Sykes-Picot and the artificiality of borders in that region, which if you want to say what borders are not going to be the same borders in a hundred years, I'd put my bet on the Middle East.

And what governments are not going to be governing? I think all those governments in the region from the Saudi's on, their days are numbered for better or for worse. That's why I also sort of wouldn't sort of stake my life on preserving the Saudi monarchy.

I think that's going to be a losing bet, but I don't believe there is a category called failed state -- I agree with Barry about this -- around which you would build a foreign policy. We're going to have to take each one of these situations as they come, but we have learned. We do know from Afghanistan and elsewhere that we better keep an eye on them because if bad actors move in and use them for bases, then that really can directly affect us. It's an obvious point, but it doesn't mean we should be running around fixing every failed state in the world.

MR. SHAPIRO: We finally found a point of consensus on not relying on the Saudi's.

MR. KAGAN: We should end right there.

MR. SHAPIRO: Over here in the corner? Yes, you.

MR. KITFIELD: Hi, James Kitfield from *National Journal*. I would like to ask Barry a question about -- to Bob's point, if he were looking for a restoration and restraining doctrine out of any President, clearly President Obama would be your first candidate, and three years into it it's just not looking that good to me. Whether it's

Russia or China or what's happened in the Middle East, the world seems to be pretty unstable right now, and so it makes me wonder whether pulling even further back is the way ahead, but I'd be curious for your thoughts.

MR. SHAPIRO: Not to put too fine a point on it, but we're five years into it. I know it seems like it went by really quickly. Right here in the middle.

MS. BERNSTEIN: Thank you, Leandra Bernstein, (phonetic 01:18:51). Both of you mentioned the lack of major super-power conflicts in the recent period, and the United States is for better or for worse the sole super power on the planet right now, but you do have, in particular, China and Russia who oppose that position openly or in some cases not so openly. So, do you see a change in this long period of no major conflicts between super powers?

MR. SHAPIRO: In the glasses there.

MR. FARMER: Thank you. Nick Farmer. If you look at the issue of Europe and Russia, if you look at China versus Korea, Japan, and India, if you look at the world more broadly speaking including China and Russia against more broadly speaking West Africa to Pakistan, not just the Middle East, why do you think the U.S. has been so unsuccessful in getting our allies and our adversaries to come together in some way to address these and carry their share of the burden when their interests are probably more significant than ours in each of those areas?

MR. SHAPIRO: (inaudible 01:20:30).

MR. KAGAN: Sure. Well, first of all, let's not be too unkind to our allies either. I mean Japan, if I'm not mistaken, and Barry may know better than I do, I think it has the third largest military in the world under the guise of its non-military military. It's not as if they don't keep up a big military, and let me tell you, they're heading toward more, and their changing their constitution, and they're probably -- they could make

nuclear weapons by the time we left this room if they wanted to.

And one of the reasons they're moving more in that direction, I think they're sort of basic -- it was sort of predictable to some extent, but to some extent it's because they're becoming less and less confident that the United States is actually there for them. And as I said before, we have to ask ourselves whether an increasingly militarized and independent Japan is in anybody's interest including ours, which gets me -- and by the way, India is hardly a slouch when it comes to -- they are also purchasing a lot of weapons and increasing their military capacities. We just wish they were buying more of their weapons from us instead of the Russians. So, the Europeans are clearly in the category that you're talking about. They believe that their peace is eternal and why should they be spending a lot of money on it, and if you were living in Europe you'd probably feel the same way.

Now, do we have a free-rider problem? Yes, we have a free-rider problem. So, the question I have is not whether we have a free-rider problem. We do. The question is how would you move away from it in a way that was not dangerous.

Now, I would say in a way this is sort of the nub of my -- Barry's and my disagreement. I think he thinks you could do it in a way that would be safe, and I worry that there's no way to do it that wouldn't ultimately be dangerous and actually create some of the problems that we're worried about.

And I'll link your question to the question of this lady here which is are we moving back toward great-power competition? I mean the answer is clearly yes, and that's another reason why I worry that if the United States in response to increasing great-power competition retracts rather than trying to re-establish the sort of ground rules of the order, we are going to invite more great-power competition. We are going to invite more regional competition of the kind that we're seeing now in both Europe and Asia. I

would say that, again, some of that was inevitable because the period of no other great powers was an artificial situation, but some of it may also be the increasing perceptions the United States is getting out of the game and therefore opportunities are opening up.

And I know not everything is 1935, but I don't think the things that happened in the '20s and '30s are so unusual. In fact, they followed almost perfect realist paradigms. Nations saw opportunities to increase their power, increase their definition of security, and they took it because they thought they could, and that led to what it led to. It wasn't lunatics. I mean ultimately it might have been lunatics, but the initial impulses were hardly lunatic. They were perfectly normal, so it is precisely that that I would like to guard against, and I think your question was really aimed more at Barry than at me. Was there another question that I should answer?

MR. SHAPIRO: You're good. You're good. Barry, do you want to take this question about Obama as your best President, and he's moving away from it? Is that a yes?

MR. POSEN: I think poor President Obama shouldn't have to be associated with this scrivings (phonetic 01:24:11) of this lost political scientist. The President has his own impulses. I think ascribing my strategy to him is excessive. The President made a decision about the people he was going to staff his foreign policy apparatus with and he staffed it with liberal hegemonists. He didn't staff it with restrainers. I think there's only one person that I would identify as a restrainer, who was even contacted to be in this administration, and he was pilloried in public and in the end that person was not invited to serve, right? So, I don't think the President is really a restrainer. He shouldn't have to carry that weight.

That said, the President is very judicious about the use of American force which I think is proper for any President, and he's very judicious about the commitment of

military force to problems that appear to be of the type that I've been returning to in this discussion all day which is problems of political re-engineering, counterinsurgency, nation-building, the like, right? And I basically think he's still cherry (phonetic 01:25:21) of it, and I wonder if the President turned to his most activist advisors and said, "You know, you're right. We really have to go back in. Let's go make the case to the American public." If many of those same people including maybe people in the other party who are beating the drums (inaudible 01:25:40), "Oh, wait a second. That's not quite what we planned." Right?

So, my sense is that the President, at least rhetorically, has gone beyond what I believe to be a prudent strategy to deal with ISIL, but I think if you look at the initial steps, the actual steps, he's doing just about as much as you need to do sensibly. I'm not talking here about the domestic politics. As much as America needs to do to deal with the possible, maybe, future, later problem that ISIL would suddenly become so comfortable in its little slice of heaven there that it would start trying to figure out how to conspire to do mass violence either in Europe or in the United States. Essentially it's a strategy of containment that's augmented by the promise of future counter-offensives and destruction.

Now, I disagree with that rhetoric. I don't know how they're going to make that happen. I think it sends all the wrong messages. I think it's already demobilizing allies because it makes it seem like we care more than they do, and they'll happily pass the buck to us. There's a lot of mistakes in that strategy. It's already too forward in my opinion, but in terms of the first actual steps, it looks like essentially a containment, observation, surround this group with barriers, watch it, listen to it, chip away at it, subvert it, suborn it, right? This is not an unreasonable way to proceed. I probably would have done it had anybody been crazy enough to ask me for my views,

not being a professional policy person.

Now the larger question about sort of the world going to hell in a hand basket, there's this wave-like quality of these things happening. I think whoever made the point that some other powers are becoming more capable are basically right.

Some of the problems we're seeing today are the dividends of past activism. I mean why is there an ISIL? Well, ISIL has a lot to do with the fact that we knocked over the local leviathan, nasty guy, but he was the local leviathan, and changed the local politics which produces a whole different set of players.

We did the same thing in Libya, right, so the President who's managing the dividends of a policy that he's cherry of, and that's not an easy thing to do. I happen to believe -- not everyone does -- that some of this analysis also applies to our problems with Russia; that Russia -- Putin didn't just get up one morning and decide "I'm going to take Ukraine -- I'm going to take the Crimea today. It feels right." Right?

Something else was going on here, and it's been 20 years of hard pressing against Russian influence, right, some of which was warranted. You know, we won the game, but while this was happening the other side got angry, and the other side basically decided to toughen up. When the Cold War ended, the Russians were kind of like this. They were a mess. They had no capacity. They couldn't really even credibly threaten to fight about much of anything. They were dragging divisions out of Europe and parking the tanks by the side of the road, and you can go look at pictures of the tank burial grounds. These things are stacked up everywhere, but they basically got up off the ground and have tried to build a little power, and now they have sharp elbows and they have interests, right? And that is a harbinger of things to come. Whoever said it's a harbinger of things to come is right.

Now, Russia's not going to be a great power again. They've got a zillion

economic problems they haven't dealt with. They've got demographic problems that are really serious, but it's 150-odd million people. They've got some cards to play. The people seem to be comfortable with autocratic leadership. They're going to be bumptious, and we already see that it's not the same country, and when things started going south along the Ukraine-Russian border in the Crimea you even heard from some very sort of hawkish-type people say, "Well, I'm not saying we should fight a way a war over this." Well, the reason they're not saying we should fight a war over this is because it wouldn't be easy. It's not 1991 fighting Iraq if you want to fight Russia today. It's serious business, and there's going to be more of that around, right?

And that's something that is going to have an effect, so your notion that the world seems less stable than it was or less predictable is probably true because there's just more players out there, and my own view is that this is a kind of a return to some normal version of international politics, whatever that means, where states compete for their own interests and have the capabilities to do it. And there's a lot of power out there, and you have to make deals, and you can't have everything you want, and you have to choose the things you want to fight for, the things you don't want to fight for.

And this idea that the American writ simply spreads everywhere and creates peace and order everywhere, I don't think it's consistent with the relative power we have, and finally this business about the allies. There are a few indications that the Japanese are going to do a little bit more, but we've seen these indications in the past and they have passed.

To the extent that we are seeing indications that allies will do more, I think it is in part for the reasons that Bob said which is they see a little bit of a power shift. They see a little bit on interest shift, and suddenly a little bit of responsibility starts to

make sense. Cheap and free riding doesn't appear to be quite the safe strategy that it was, and this cuts to a central problem with American foreign policy under our present strategy.

I will digress here for bibliographical reference. There's a fantastic book written many years ago by an economist named Albert Hirschman called *Exit, Voice, and Loyalty*, and in this book Hirschman argues that organizations find out about their failings through one of two medium; either they suffer the loss and clients and customers the way businesses learn that they're failing, or they get a lot of screaming which is usually the way political parties or voluntary organizations learn.

Now, he doesn't specify what the optimal mix of exited voice is. He can't calculate it, right? But he says there may be an optimal mix, or there may be optimal mixes for particular situations.

The nature of American grand strategy over the last several decades is that the Americans have no credible threat of exit to their allies because this entire political consensus is standing behind the strategy saying, "We must do this. We must do this. It's essential to our security." There's no credible threat of exit, so when every three or four or five years a retiring secretary of defense finally tells you the truth about his attitude to our allies and they're underspending (phonetic 01:32:40), which is when you get it, right? Gates did it on the way out. I'm sure Hagel will do it on the way out, right? It doesn't mean anything because it's just voice without any threat of exit. Well, we're starting to get a little bit of exit in the air, and it looks pretty good. Looks like it's working. I think you need a little bit more in here, right? Send copies of this book *Restraint* to leaders of other countries. Tell them it could happen. Probably won't, but it could happen.

MR. SHAPIRO: All right, Bob, we'll give you the last word.

MR. KAGAN: Well, I guess, I'm just -- Barry sees no potential downside to an increasingly independent, increasingly militarized Japan, and I do. And by the way, Japanese -- this attitude has been accompanied by -- I won't take sides on the issue, but certainly some people have described their behavior in the Senkaku Islands as a little overly aggressive, so I do worry that left to their own devices the Chinese and Japanese could wind up in a conflict with one another, and I would like to tamp that down because I'm pretty sure that's not in our interest.

Now, Barry's response to it is "Bring it on, baby. I mean let's pull out and see what happens," and I just have a hard time believing -- and everything -- so far, so good, right? But that's like the famous last words of all time. So far, so good. I would say if you were doing a kind of MIT risk analysis I would rather take the risk of spending the money to keep this situation roughly as it is than spending less money and risking the other possible outcome. I don't know that we'll get that other outcome, but the cost of that outcome, it seems to me, is very high. So, again, I don't think it is difficult to sustain. It's not impossible. It's always difficult to sustain in this world -- and by the way, it was always difficult, you know. You talk about the fact that there's a Russia and a China. There was a Russia and a China all through the Cold War who were hostile to us and who were unhappy about our hegemony and who sought every opportunity to cut us down to size, and yet we persevered through terrible economic times like the '70s and through more prosperous times.

And it was always difficult, and by the way, we always had debates like this because, as Barry knows, from the very beginning of the Cold War all the way through, the realist position was American strategy is a disaster. Walter Lippmann said containment is a disaster because we cannot possibly do all the things that are causing us to do. And realists have been decrying that strategy in every single decade since, and

now they're decrying it still. And yet, I would say on balance it was remarkably successful, especially compared to genuine alternatives, not mythical alternatives.

MR. SHAPIRO: Okay, so I think we successfully surfaced some differences. (Laughter) And I think maybe we've shaken up some world views, certainly mine on both sides. So, if you can join me please in giving a round of applause to our panelists. (Applause)

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