

# HOOVER DIGEST

RESEARCH + OPINION  
ON PUBLIC POLICY

SPRING 2020 NO. 2



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## ON THE COVER

This poster from the Hoover Archives offers a gentle image of a violent place and time: Germany in 1920, still reeling from its defeat in the First World War. The artist, Johannes Friedrich Georg Baus (1889-1971), uses the image of a worker and a blooming rose to advertise the Leipzig Trade Union Festival held that August. It was a time of intense and growing radicalism on both left and right, the start of a tumultuous era with many years of economic and political agony yet to come. See story, page 200.



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# A Case for Optimism

**The challenge is deadly serious, but America's critical-care system is the most advanced in the world.**

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**By Scott W. Atlas**

**N**o one should underestimate the urgent issues facing the United States and the world from the Covid-19 pandemic. Thousands of people have already died, and thousands more are in critical condition. The death totals will certainly increase for weeks, even in the best-case projections. Serious likely shortages, as projected by Dr. Christopher Murray and the Institute for Health Metrics and Evaluation team, represent a crisis, and all efforts are required to minimize them. But fear about worst-case scenarios has at times obscured certain facts that should lend some optimism to what's ahead.

First, the rate of increase in deaths from Covid-19 is decreasing, in the United States and in most countries. That means there is a slowing of deaths, not just the calculated mortality rate, a different statistic that will keep decreasing as we unveil a larger number of people carrying the virus with mild or no symptoms. In the United States as well as in Italy, Spain, and

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other countries most heavily affected, there is a significant slowing in added deaths. This is evidence that isolation policies are working.

Second, we have at least anecdotal evidence from several countries that some drugs work in sick patients. It is true that current reports are not proof. But there is fundamental underlying science and solid evidence from

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***By virtually every metric, the United States leads the world in health care innovation, the ultimate key to stopping the tragedy of death and disease.***

previous testing in other similar viruses that both oral and intravenous drugs have a reasonable chance of working and saving lives. They are approved by the FDA for

emergency use and are now being tested in valid, controlled studies. Their likelihood of working should not be minimized.

Third, outcomes in other severely ill patients cared for in ICUs are typically superior in the United States. Numerous studies have demonstrated that mortality rates in the United States are lower than in Western Europe and Japan from sepsis and in acute respiratory distress syndrome (ARDS), life-threatening conditions that depend on mechanical ventilators as a mainstay of patient management. Odds of survival have been higher in the US-dominated group than in high-income groups of European countries studied.

Researchers asked: is the higher mortality rate in Europe than in the United States due to lower number of ICU beds available in Europe? Which brings us to the fourth point. Although we are undeniably grappling with a serious shortfall, the availability of ICU beds in the United States exceeds the availability in every other country. According to a Columbia University study, the United States has twenty to thirty-one beds per 100,000 people, two to five times as many as in any other country in that study, including Canada, Denmark, Australia, Sweden, Japan, Britain, and New Zealand. Data from

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***There is a significant evidence that deaths are slowing and isolation policies are working.***

the National Center for Biotechnology Information and the journals *Intensive Care Medicine* and *Critical Care Medicine* show that the US critical-

care beds per 100,000 far exceed those in Germany, Italy, France, South Korea, Spain, Japan, Britain, China and India. Adjusting for each nation's elderly population, the United States dwarfs every other country in available critical-care beds per 100,000 people sixty-five and older, those most at

risk of needing an ICU because of Covid-19. Given that analyses have shown a strong correlation between ICU beds and fatality in ICU patients, this is certain to avoid even more deaths.

Americans should also take some solace that in other life-threatening diseases requiring urgent care, the United States has the world's best outcomes, including cancer, heart disease, and stroke, all of which require rapid diagnosis and treatment with trained specialists, innovative drugs, advanced technology, and critical care. That's because Americans have faster access to life-saving drugs proven to correlate to better survival; more access to state-of-the-art imaging like CT and MRI scanners essential to management and highly correlated to better outcomes in diseases with the most mortality; and far faster access to specialists and treatments than single-payer systems throughout the world.

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***Americans should take comfort in knowing that in other life-threatening diseases requiring urgent care, the United States has the world's best outcomes.***

What's more, by virtually every metric, the United States leads the world in health care innovation, the ultimate key to stopping the tragedy of death and disease. While this extraordinary emergency will undoubtedly stress our system, and we will sadly lose many loved ones as we await drugs to treat the sick and immunize others, Americans should not panic. The United States has the most advanced medical care in the world for situations like this. ■

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# Hazardous Handouts

Hoover fellow **John H. Cochrane** argues that large doses of “stimu-lend,” rather than stimulus, will get workers and businesses back on their feet without incubating a second disease: moral hazard.

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**By Troy Senik**

**Troy Senik:** John Cochrane, the Rose-Marie and Jack Anderson Senior Fellow at the Hoover Institution, is the proprietor of *The Grumpy Economist* blog. John, we can probably just go home, nothing much to talk about this week.

**John Cochrane:** We are home!

**Senik:** That’s true. We were talking prospectively about how economic policy could be used to mitigate some of the effects the coronavirus is having on the economy. Now we’re seeing actual policy responses take shape. Let’s start here. You’ve been writing about this, both at *The Grumpy Economist* blog and in the *Wall Street Journal*. The point that you’ve made on several occasions: this is different. The proximate cause is the virus and the public health

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response to it, not really the economic fundamentals. If we wanted to be fancy, we'd say, "It's an exogenous factor."

But that has implications for policy because what we're actually trying to do here is to sort of cryogenically freeze big parts of the economy so that we can thaw them out when the worst of this is over. You don't want otherwise healthy businesses to go under and otherwise employable people to lose their jobs in the interim. So, if that's the goal, what does that suggest about the way that policy needs to work?

**Cochrane:** You phrased it beautifully. It *is* quite different from the financial crisis, the last recession. So that immediately points out things that aren't good ideas, such as the idea that we need stimulus. That people need to go out and spend to keep the economy going. We can debate whether that made sense the last time, but that clearly is not what you want right now. Our government wants people *not* to go out and spend because they would spread the virus by doing so. How, as you said, do you cryogenically freeze an economy?

An economy is like a human body. You can't just turn it off and turn it back on again. Some of us are fortunate enough to just go home, and work from home, and have enough savings to do that. But the economy as a whole doesn't. In particular, lots of people have debts to pay. The debt clock doesn't stop; businesses can fail, even perfectly healthy businesses. People can be unable to pay their rent, and their mortgages, and so forth.

We all understand this is a supply shock. It's not your fault that you can't pay your mortgage. There might be a little bit of "your fault" in the corporate side that has chosen to take on an enormous amount of debt, and not have cash resources to get through a crisis of some sort. But this particular event is at least much *less* anybody's fault. So, you want to kind of suspend the rules for a while, and make sure that the economy is ready to turn back on. The normal processes of forcing companies to shut down and firing people don't really apply right now. That's the goal of the economic response. Now, how to achieve it?

## HAZARD AHEAD

**Senik:** I want to pick up on the point you just made, especially on corporate debt. Good economists always worry about moral hazard: that when you protect someone from risk, you create the prospect that because they're insulated from the full consequences of their actions, they may actually engage in more risky behavior otherwise.

Here's what you said about this at *The Grumpy Economist* recently: "The only reason the economy is in trouble is that not enough people in businesses keep cash reserves or plans to weather a shutdown. If the ants bail out the

grasshoppers without consequences, we will enter the next crisis with nothing but grasshoppers.” Give us a sense of how we could avoid that danger while still being responsive to these calls for urgent action.

**Cochrane:** It is difficult. I mean, I could afford to say that because I’m an academic. I don’t have to stand for election. Many of my commenters on Twitter immediately jump to “How could you worry about moral hazard when we’re in a crisis? People are hurting, don’t worry about moral hazard.” They’re sort of saying that at the end of times, you don’t worry about moral hazard because there won’t be a next time.

But in fact, I think one way to put it is that this is a relatively mild pandemic. I think future historians will look back and see the early twenty-first century as an era of many pandemics. One is out there that is more insidious, that kills 20 percent of the people who get it and is even more resistant to our public health efforts. How are we going to solve pandemics in general? What are we going to do the next time around?

You bring me to moral hazard. The impulse right now is to bail out everybody who needs money, starting with the airlines. The airlines have, however, loaded up on debt in recent years, in part because our government subsidizes debt and you get to deduct debt payments from your corporate taxes. There’s a good chance of getting bailed out if you get in trouble. Airlines are now too big to fail. So, if we just bail them out, then what incentive does the airline have in the next four or five years not to load right back up on debt again?

If there’s one policy I would encourage, it’s for the government to step in and lend as opposed to simply hand out gifts. That helps to stop this moral-hazard problem. All of us will stand up and say, “give me a handout.” But if it’s a loan that has to be repaid, it saves the government’s ammunition—and helps reduce the moral hazard.

People in businesses will start thinking, “Hey, maybe I need to keep a couple rolls of toilet paper around *all* the time, not just in advance of the crisis. Maybe I should keep some cash reserves around *all* the time.” The big tech companies who are sitting on mountains of cash all of a sudden look wise.

## FISCAL SANITY

**Senik:** Let’s talk about the policy response on the individual side. The last time you and I talked about this, the policy response *du jour* was a payroll tax cut. That was what the Trump administration was pushing. Now we have transitioned to just straight injections of cash. Do you means-test that? What is the most efficient delivery mechanism?

**Cochrane:** We've got to do something. Obviously, I don't like that idea. But I also don't want to be too critical. The crime is that our government entered this with no planning whatsoever.

The economic planning, the stress testers who worried about everything in the world and never even thought about pandemics . . . there were actually government pandemic economic plans. I looked them up. They were nice. People put them on the shelves and never looked at them again.

Clearly, what we're going to do will be very rough and ready. With that said, though, the idea of sending everybody a thousand dollars . . . that's a stimulus idea. Well, we don't need stimulus. What we need is to make sure people have enough to pay for their food while they're sitting at home—and also be able to pay their debts to the extent that debts are going to get collected right now. We don't want people to lose their houses and to be foreclosed on, evicted, and go through personal bankruptcy right now.

Now, it would be better if we all had a lot less individual debt, too. But again, this is a time for forbearance. Now, if the problem is people's debts and their bills, a thousand even.

I proposed something I called "stimu-lend" instead of stimulus. You could borrow against your future taxes and then pay it back. That puts a little onus on you: take it only if you need it. You and I would not take the \$1,000, or \$10,000, or \$50,000. Those who need it to stave off bankruptcy would take it. Again, lending rather than gifting is a better approach, and more tailored to the problem at hand.

Federal resources are not infinite. There is a national debt. It will be paid off eventually by taxes. I want to preserve some fiscal space for the US government. The time is coming when we have a bigger pandemic, a war, or a big recession. Our government will say, "Now we need to borrow \$5 trillion." The markets will say, "You've got to be kidding." That's when the firehouse will have burned down. But lending that you collect, and that people pay back, doesn't really cost the government that much.

**Senik:** The president announced that he is invoking something called the Defense Production Act, which gives the government the authority to direct production in private industries in a time of crisis. How do you think about this prospect of government commanding production? Is this a situation where the exigencies mean you throw out the rulebook and accept some of the attendant inefficiencies? Or is it even better to sit back and wait to see what kind of innovation comes out of the private sector even though you don't know the course it's going to take?

**Cochrane:** Times of crisis like this are, even to a constitutional rule-of-law conservative libertarian, when governments do unusual things. There's a free market reason for that. Our contracts don't specify every possible contingency. In unusual circumstances the contracts couldn't or didn't foresee, the government steps in and does *ex post* what should have been done *ex ante*.

So the government hands around money in a way that insurance contracts would have done if people had signed them. Not very well, but that's kind of what government does. It's important we understand those are limited to an unusual contingency, that we don't make a habit of it. All sorts of civil liberties get stamped on in a pandemic. You're not allowed to go outside even though you want to. That sort of thing would be intolerable in normal times because it can be misused for political purposes. But in exemptions, we allow that.

Now, the Defense Procurement Act. I always like to say that before you start pushing policy levers, let's try getting out of the way. Why do we not have enough N95 masks around? We put in tariffs against importing them from China. That wasn't a terribly smart idea. The testing was illegal for a long time. Hospitals weren't allowed to use private tests. I just saw a tweet from a guy who wanted to produce masks and went to whichever government agency has to sign it off. They said, "That'll be forty-five days so we can inspect your facility." It's not obvious that the free market is not already doing everything in its power to supply more N95 masks, respirators, and stuff like that.

The government seems to love to put in price controls: no profiteering. But if everyone knows you're going to put in price controls, then first, there's no profit motive to start stockpiling things ahead of time. Second, that's why people run to the store to empty out the shelves. They know they won't be able to get it afterward.

In this particular case, it's not clear that we needed to have the federal government call people who are in the business of making masks and respirators and say, "Hey, guys, get out of bed and get to work." They were working pretty darn hard already.

I think an eye towards "how are we in the way?" might have helped. But in general, when you're in a public health crisis, you do what you got to do.

## **BE PREPARED—OR ELSE**

**Senik:** Recently you wrote in the *Wall Street Journal*: "Changing micro rules and regulations is much harder than macro stimulus. Thousands of rules



need to bend to help thousands of businesses and millions of people. It would all be easier if there were a pandemic economic and financial plan in place. Sadly, twelve years of stress tests and economic crisis planning never considered the possibility of a pandemic. Let us get a better economic plan in place for the next one.”

I realize it’s going to take a long time to flesh this out. But broadly speaking, what does a better plan for the future look like? How do we make ourselves more resilient for threats like these?

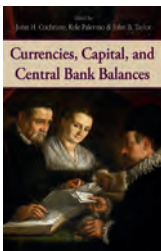
**Cochrane:** We’ve got thousands of clever ideas, each of which requires rewriting a lot of rules. It just can’t happen in real time.

That’s the lesson of all emergency play. In 9/11, the fire department and the police department didn’t even know each other’s phone numbers. So we put together a terrorism plan in which they learned those numbers and practiced. Thinking things through and having a “break glass in case of emergency” would be useful.

We’re going to have more pandemics. They will probably be worse, sooner or later. I think it is worth considering just how much economic damage is worth how much health damage. If we have to shut the US economy down for six whole months and bankrupt half the companies in here, is that the right answer to coronavirus?

I’ve tried to keep public-health policy and economic policy separate. I’m just an economist. I don’t talk about how you stop viruses. But they are starting to merge into each other because we’re shutting down the economy in order to stem the virus. A better, more prepared public-health response would certainly save us a lot of these economic costs. ■

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# *The Bedford Falls Solution*

**When panic reigns, timid investors suffer. The lesson from a classic holiday movie: Be like George.**

---

**By Victor Davis Hanson**

In director Frank Capra's 1946 holiday classic movie "It's a Wonderful Life," a bank panic sweeps the town of Bedford Falls. Small passbook account holders rush to George Bailey's family-owned Bailey Building and Loan, demanding to cash out all their deposits—a sudden run that would destroy the lending cooperative and its ability to issue mortgages and preserve the savings accounts of the small town. The villain of the story, Henry F. Potter, a cash-laden, thoroughly miserly rival banker, played brilliantly by Lionel Barrymore, offers to buy up the depositors' shares in the building and loan—but at a steep 50 percent discount.

George Bailey (Jimmy Stewart) tries to explain to his panicked cooperative depositors the logic of their frenzy, with the exclamation, "Potter isn't selling. Potter's buying! And why? Because we're panicky, and he's not." (Later in the film, George experiences a vision of a world without him and his prudent advice. Bedford Falls is now called Pottersville, in honor of the rapacious Mr. Potter.)

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*Victor Davis Hanson is the Martin and Illie Anderson Senior Fellow at the Hoover Institution and the chair of Hoover's Working Group on the Role of Military History in Contemporary Conflict.*

Capra's post-Depression era movie, even in its black-and-white morality, reminds us that in a crisis, the majority has limited liquidity and cash. And sooner rather than later they must sell assets—property, stocks, shares, and household goods—to operate their businesses or keep their homes until things pick up. In a real depression, those with the least cash fail first and in great numbers.

And the minority who do have cash are always willing to buy, even in a depression, albeit at their price, which is usually steeply discounted. Panic, not logic, eventually takes over the collective mind, as have seen in the past few weeks with plunges in the stock market and the hoarding of goods otherwise in plentiful supply.

The stock market descends in part because sellers need liquidity and think they will have less of it tomorrow, while cagey buyers hunt for bargains. Meanwhile, stock managers who sell more than buy conclude that they can't yet convince the terrified public that the virus is manageable.

## THE GREAT RAISIN CRASH

On a small scale, as I wrote in *Fields without Dreams*, I lived through “the great raisin crash” of 1983. In this crisis, the price of raisins per ton paid out from Sun-Maid's cooperative pool dived in only a few months, from over \$1,400 a ton to a little over \$400; break-even for most was somewhere between \$900 and \$700 a ton.

The panic was an abrupt, if belated, reaction to the 1982–3 recession, the tight-money and high-interest policies of the Fed that broke soaring inflation, the clumsy role of an ossified Depression-era federal “Raisin Administrative Committee” that regulated all sales of farmers' harvests, and the proto-European Union plan

to subsidize European and mostly Greek raisin production on the international market.

Sun-Maid went

“broke.” Or rather, in the euphemisms of depression, its management “recapitalized” the co-op by expropriating the capital contributions of its members in the revolving fund. The CEO shrugged and stated that, in the logic of cooperatives, members had in years past been “overpaid” by themselves, and now they simply had to forfeit millions of dollars owed to them by “their” own co-op. Half the membership quit and were never paid what in the real world was contractually owed to them.

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***“Potter isn't selling. Potter's buying!  
And why? Because we're panicky,  
and he's not.”***

Raisin vineyards fell in price in just a few months from \$15,000 an acre to \$3,500. Once-vaunted varieties of grapes for raisins, such as Thompson seedless, were soon dubbed “Thompson worthless.” Within a year, farmers were pruning off canes, producing no crops, and watering and cultivating just

enough to keep their vines alive, while their capital investments diminished in value.

Suddenly it was more valuable to have open

ground that could be left fallow than to maintain expensive permanent vineyards that could not so easily be idled. In a panic cycle, to farm was to lose more money, and to do nothing was to lose less.

Idiocy ensued from so-called experts who assured us that the new globalization was “good for you in the long run,” given that subsidized foreign sales that gobbled up our lost market share would make insolvent American growers “more competitive” and “sort out the wheat from the chaff,” and would “bankrupt Europe through costly subsidies” and ensure “value to the consumer.” It was all arguable and abstract for tomorrow, all irrelevant to the bankrupt today.

The vast majority of small farmers who owed money and had a mortgage, and who had no savings or bank credit line, went broke—at first aghast that anyone would offer them a measly \$8,000–\$7,000 an acre for productive

marquee vineyards, only within months to sell at \$3,500 and be happy it was not \$3,000. The logic of the Dutch tulip boom and bust soon spread. In

some senses, four decades after that crash, the raisin industry never fully recovered.

Some of the today’s small agrarian fortunes in Central California were made in the early 1980s by those who either had capital at the time or were audacious enough to risk buying foreclosed properties (the panic soon spread to orchards and other crops) that would likely not show a profit for years. Now such farmland sells at \$30,000 an acre and up, depending on the crop. Because the raisin crash affected fewer than 10,000 family farmers, no one noticed much that most were wiped out. Although they were not infected with a virus, a few men in our vicinity killed themselves, a number of farmers

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***In a crisis, the majority has limited liquidity and cash. Those with the least cash fail first and in great numbers.***

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***We can confirm who dies from the virus. We might never know the number who die in a depression.***

and their spouses developed severe physical and mental health issues and died, and families split up and broke apart (including my own).

We want to avoid such cycles of panic. Panic is not, as the uninitiated write, good. No, it kills.

## THE ROAD TO POTTERSVILLE

The longer businesses and employees cannot create or receive income (in this case, held back by government edict), the closer we are to an economic meltdown. The very few who have cash and are willing to risk short-term operational peril for long-term investment profits will wait to buy assets, property, and stocks from those who right now must make payrolls, pay mortgages, meet interest payments—and to do so must sell their assets sooner rather than later, at a bad price today to avoid a worse price tomorrow. It is not a morality issue as much as common sense, moral hazard, and self-interest.

The downward spiral soon takes on a psychological logic of its own. It can be arrested only by data and proof that panic is unfounded: that the

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***We must guard against reaching the point of no return, where the psychosis of panic and depression become entrenched.***

cause of hysteria is either nonexistent, no longer germane, or manageable.

The result on a grand national scale is both economic stagnation and a gradual descent into Pottersville. Don't believe that even salaried elite employees at institutions such as universities will be exempt, given that dividend income from endowments is now in question, assets are declining in value, and philanthropists will grow scarcer.

In periods of panic and plagues, there are no good choices, just bad and worse ones—but we have choices, nonetheless. For now, to arrest the spread of the virus, we've adopted a sort of broad chemotherapy strategy. We have risked sickening the entire economy by shelterings, lockdowns, quarantines, and social distancing—the medicine to deny new hosts to the coronavirus. Chemotherapy can work, but nonetheless it's designed to kill the cancer weeks or even days before it kills the patient. Its side effects can linger for years. So too with our present antiviral economic policy.

Very soon the United States is going to have to resume work, while retaining policies that protect the already ailing and hopefully recovering economy. Both the disease and a looming severe recession are real.

How then should we see our way out of this crisis?



## BACK TO WORK

With millions of new test kits on hand, we should be much better able to track Covid-19 cases and collective hot spots, and to emulate past public policies that extinguished tuberculosis and measles. We will be able to curtail the spread of such infections by tracking down contacts and sources of infection and quarantining and isolating them, while restarting the economy.

Antibody tests could identify those who have recovered with assumed immunity to the virus, and who therefore might re-enter the most hazardous spots in the workforce. Such data might lead to more realistic numbers

of actual cases of infection and the lethality rate of the virus, as well as remind us that thousands may have already had the virus and either

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### ***Panic is not good. Panic kills.***

attributed it to the flu or discounted its milder symptoms. Doctors could make better choices if they knew whether respiratory patients had already had the coronavirus.

If we can collect hard data and the lethality rates descend to near flu levels, then Americans will have confidence in the return of the economy, buy and sell stocks on the basis of innate worth and return rather than panicked speculation, and again rehire, run, and expand their businesses.

In sum, with the use of new treatment protocols and medicines, wider testing, and the approaching summer, we can get the incidence of infection down to a level that allows most people to work and keep the economy alive. Otherwise, make no mistake, if economic somnolence continues, many Americans are going to sicken and die—but from the economic virus in reaction to the coronavirus.

We must guard against reaching the point of no return, where the psychosis of panic and depression is so entrenched that we suffer devastating recession or worse no matter what. As that point nears, we should be ready to ramp the economy back up—incrementally at first, to be sure, as we go full-bore with testing and availability of such things as masks, drugs, and ventilators. Efforts then will focus on getting a vaccination into wide-scale tests by autumn.

We should also prepare for the naysayers and pessimists—particularly those insulated from the economic shutdown—to cry “denialist” and then accuse officials of “murder” when the caseload and deaths from the virus do not immediately disappear.

We can confirm who dies from the virus, but not always the greater number likely to die in a depression.

A rebounding economy will be stimulated by cheap energy prices, historically low interest rates, and a national consensus that multitrillion-dollar industries in pharmaceuticals, medical supplies, strategic materials, and defense-related technologies will be goaded into returning to the United States. The cruel virus also may help “woke” Americans understand that they were hostage to Chinese pressure in ways they never imagined.

The future is bright. But in the panicky darkness of today, we must not lose our way and end up wandering paths that lead only to Pottersville. ■

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***If economic torpor continues, many Americans are going to sicken and die—not from the coronavirus but from the economic virus.***

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New from the Hoover Institution Press is ***Gambling with Other People's Money: How Perverse Incentives Caused the Financial Crisis***, by Russ Roberts. To order, call (800) 888-4741 or visit [www.hooverpress.org](http://www.hooverpress.org).



# “This Has an End in Sight”

The pandemic has been devastating, but the wrong response to it could be more devastating still. Hoover fellow **Edward P. Lazear** lays out a sober set of steps to shore up and revive the US economy.

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**By Dan Crenshaw**

**Dan Crenshaw:** You have quite a bit of history and experience with times like these because you were the chairman of the Council of Economic Advisers under George W. Bush from 2006 to 2009. We all know what happened with the financial crisis. You have a great deal of experience with economic stimulus and the debates that occur within that. From an economist’s standpoint, and from a cost-benefit-analysis perspective, are we reacting the right way?

**Edward Lazear:** I think we are. I don’t want to be too optimistic and find out I was completely wrong. But it looks, at least from the early numbers, like that this is not following the same exponential pattern, the growth rate that we saw in Italy. It looks like we’re doing a little bit better than that. Hopefully, we’ll end up doing a lot better than that.

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To the extent that it actually is effective in slowing things down, flattening the curve, as everybody talks about, the costs are enormous. There's just no doubt about it. But the cost would be enormous anyway, even without these extreme measures. I don't think that the added burden of the kinds of actions that the government has taken, mostly local governments, is actually going to have a big, additional detrimental effect.

**Crenshaw:** We have basically shut down the country. If we think it was an overreaction, it really doesn't matter at this point because we did it. There are costs to that. There are two prongs here: One is dealing with the health crisis. The second is dealing with the economic crisis that has ensued from the fear of the pandemic.

**Lazear:** Yes.

## **“A COMPLETELY EXOGENOUS EVENT”**

**Crenshaw:** How is this different from the financial crisis of 2008? How should we be thinking about it differently?

**Lazear:** The big difference, of course, is that this has an end in sight. Obviously, we don't know when the end will occur. But there is an obvious proximate cause, and immediate factor that is reducing economic activity. When that goes away, economic activity should pick up again.

During the financial crisis—that was a panic-induced crisis, at least initially—when the panic was stopped in the fall of 2008, we were in the recovery phase. But the problem was, we didn't know how long it would take to get financial institutions back online. There were some obvious causes from before, but those things lingered. In this case, there's really no reason why, once the thing passes, and hopefully that will be very soon, we can all get back to work and see the economy start to boom again.

That's the hope. The question I think that we face, and that you guys face in Congress, is how to make sure that we don't do anything during this temporary period when things are really under stress that cause long-term, negative repercussions when the economy wants to recover.

**Crenshaw:** Would you also agree with the notion that our economic fundamentals are much stronger than they were back then? We had a very strong economy as of a few weeks ago.

**Lazear:** Absolutely, we have a strong economy. But I'll tell you, if you go back to 2007, when, as you mentioned, I was in the White House as the chairman

of the Council of Economic Advisers, the economy was pretty darn strong in 2007. I think what you're referring to are some underlying fundamentals that were there and problematic; we just didn't know they were there. But I think the statement you made is quite correct. If you look back a few weeks ago and say, "Where were we? Is there anything even in retrospect that looks like it was problematic?" The answer is no, there was nothing.

This is a completely exogenous event. This is not something having to do with overleveraging the economy, and with too much housing construction. None of those factors that one can point to back in 2007 are present today. In that respect, you're on firm ground.

*Crenshaw:* Another difference is this: how should we think about the word "stimulus"? In 2008, you guys were trying to craft a plan for a stimulus pack-

age. It was obvious why: you needed to boost consumer spending rapidly and keep some kind of industry afloat.

You could give everybody money right now and hope that they spend it, but they're not going to spend on the indus-

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***"We don't know when the end will occur, but there is an obvious proximate cause. . . . When that goes away, economic activity should pick up again."***

tries that need help the most because those industries are closed, at least for now. How should we be thinking about the "stimulus package" this time?

*Lazear:* The last thing we want to do at this point is encourage stepped-up economic activity. We're trying to do the reverse. We're keeping people from working for health reasons, and we're willing to tolerate that despite the cost in the short run. The last thing you want to do is create extreme demand.

I'm thinking of a silly case where you'd say, "Gee, suppose we could subsidize cruise ship operations and get people back on cruise ships by giving low-cost tickets." That would be an absurd policy. No one would ever recommend that.

Stimulus is not quite that absurd, but it kind of works in the same direction. What stimulus is designed to do—whether it's effective or not is another issue—is to increase demand. We don't want increased demand. What we want are buffers that make sure viable firms—firms that but for the current situation would be profitable and would certainly be able to survive in the long run—don't go out of business simply because of a short-run liquidity crisis where they simply can't pay their bills.

The same is true of individuals, people who get laid off. It's not that they *should* be laid off; they're laid off because of an event that, hopefully, will

end soon. We want those people to remain with their firms and come back quickly. We need to buffer that shock as well.

## THE RIGHT KIND OF HELP

**Crenshaw:** It doesn't seem to me, if you gave all of us a check for \$1,000, or \$2,000, depending on which politician you're listening to—and which one wants to outdo the last politician that offered a check to everyone—it's not obvious that money will be spent. It certainly won't be spent on the industries that need it most.

**Lazear:** Right. I must confess, looking at Treasury's outline of what they were going to ask for, that's the one I found most problematic. I thought most of their requests were actually pretty good and on target.

You said, "We don't actually want it spent," that even if it were the case that these thousand-dollar checks could get spent, they wouldn't be spent in the right place. What we want people to do is to basically hunker down and get through the crisis, make sure they have enough money to pay their bills, and then move on. After that, one could think about stimulus.

But, that brings me to your second point, what would the stimulus do? As you probably remember; back in 2008 we did almost exactly this. I will confess that I was a party to that. I was actually the guy who designed the initial outlines of it. I'd say the evidence on it is, if it worked, it had a small effect. We clearly did not stop a crisis from happening by handing out checks in April and May of 2008. There's a lot of academic literature, the kind of stuff that people like me write all of the time where

we study these events and ask, "Did it actually work?" There's a little bit of controversy, but no one thinks the effects were

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***"After 2008, the panic phase was over and then we were in the recovery phase."***

overwhelming. Most people, you get a \$1,000 check, you're not going to just jump out and spend the thing. You're going to put it in your bank account. Those who do spend it will increase to some extent their spending, but it's not going to generate the kind of activity that will keep an economy from going into a crash.

That's what we saw in 2008. One, we shouldn't be stimulating right now. Two, when it's time to stimulate, these things probably won't be particularly effective.

**Crenshaw:** I think one reason that some people advocate for a blank check to everyone is because it's really easy. You don't have to filter applications and

see who needs it. What's your response to that? Is it really that hard to target it to the right people?

**Lazear:** I don't think it is. You're right, it is easier to just send the check to everybody. But there are lots of things that are easy, and that doesn't mean they're effective.

To be honest, right now I'm not worried about the budgetary impacts of this stuff. That's not the major concern right now. I think the major concern is adopting a policy where dollars spent are actually dollars that go to pro-

ductive use. Who are the right people? Generally, the right people are those who lose what would be a normal income flow as a result of this temporary

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***“There are lots of things that are easy, but that doesn't mean they're effective.”***

crisis. We can think of the obvious ones—the energy industry is hurting, the travel industry, the leisure and hospitality industry. But that's short run. Shelter-in-place rules are going to have big effects on local economies. Things that we're not even thinking about: sporting goods stores, any kind of retail shops that would otherwise be working. Manufacturing, local manufacturing. It's very difficult to anticipate where that's going to happen.

The way you want to implement it is to go directly to those people who are affected. One way is to work through the unemployment insurance system. If you actually lose your job, then you get unemployment insurance. That's mostly state administered. But normally during severe recessions, what happens? Congress—you guys—authorize additional payments, usually additional weeks of unemployment benefits. That's not what's needed now. What's needed is to round up the numbers for unemployment benefits so that people who are out of work, instead of having long-term unemployment, have unemployment payments right now that bring them very close to what they were earning on the job. Sick pay is another approach.

The third thing, something that hasn't been mentioned much, is whether firms can be subsidized to maintain employment. A lot of people are saying, “You shouldn't be allowed to lay off workers.” That's easy to say, but how are the firms going to support the workers they're not laying off? Is there some kind of vehicle to do that? The world has experience with that; Germany did this back during the recession of 2007–9.

This is another case where, I'll admit, when I saw them do that I thought, “Man, this is a crazy policy.” It's going to create all kinds of moral hazard



and all kinds of behavior, gaming the system and so forth. It actually turned out to be a pretty good thing. It kept their unemployment rates from going anywhere near as high as ours did. They recovered very quickly.

**Crenshaw:** When I talk to small businesses out here, they just need a quick, low-interest loan to make payroll for the next few weeks. They believe in the underlying strength of the economy, that business will bounce back really quickly. Again, that the fundamentals of our economy are strong, and so we have to look at it in those terms. They just need a quick loan.

**Lazear:** There are existing institutions that small businesses deal with on a frequent basis. You have the Small Business Administration and the Treasury. Just think about the Internal Revenue Service; they know where these local businesses are. Treasury is probably best placed to administer this and do it quickly. I think there's hope that they'll do that.

## IMAGINATIVE SOLUTIONS

**Crenshaw:** I want to get back to unemployment insurance; again, targeting the people who need it most. There are other people, they're not unemployed, but they do have interruptions to their cash flow. Maybe they're an independent contractor and they just can't get any business. Or maybe they're an event planner, and all of their events got canceled. Would it be relatively easy to simply reform the parameters of unemployment insurance to account for those people as well?

**Lazear:** Those are two separate groups. The event planners, most of them would be small entrepreneurs I think of as being covered in the small-business-loan part of the plan. But what about their workers? The goal would be to take care of those people without having them be unemployed. You don't want the event planner to lay off all of their workers because as soon as these things pick back up, there's going to be pent up demand.

It would be nice, if we could cover those people. Again, that's why I mentioned this Germany-like structure might be one way to go. We can think of this as partial unemployment. For example, if you cut the hours the worker is employed by two days a week, then we will subsidize that two days a week. Instead of paying a full week of unemployment insurance, we're only paying two days of unemployment insurance. That's better than the alternative.

Again, the caveat, because people like you and me are conservatives and worry about firms gaming the system, and employees gaming the system,

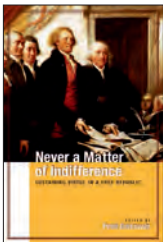
and saying, “Why don’t you lay me off for two days a week?” I can go fishing or something and the government will pay for it. That’s always an abuse you have to worry about. But it turned out that at least in the German experience, that was a relatively small problem. Most of the funds went where they were needed and actually worked. And to be honest, much better than I had expected it to work.

It would sure be way better than these \$1,000 checks to everybody. That’s just not money well-spent. Take that money and put it in partial unemployment benefits, keeping people on the job, and subsidizing their wages when they work less than they otherwise would.

**Crenshaw:** The more you give out to people who don’t need it, the less there is for people who truly need it. I find that to be pretty problematic, and frankly, pretty immoral.

**Lazear:** I agree. I would make two points: you only have a limited amount of dollars that you can use for this stuff. The second point is a little bit more subtle, but it’s one that people keep missing. We don’t want to create the wrong kind of incentives. Remember, right now, we’re trying to slow the economy; we are not trying to increase demand. We want people taking care of their health needs, and not going out and having all kinds of activity going on. Not only is it that you don’t want to spend the money on stuff that is not very useful, but you don’t want to spend the money on stuff that goes in the wrong direction. I’m quite concerned about that. We might want to see some of that in the long run, but the long run may be a few months off. Today we should be focused on keeping businesses and individuals afloat. ■

***This interview appeared on the podcast Hold These Truths with Dan Crenshaw.***



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# *First Principles and the Future*

**Economic freedom underlies every other freedom.  
We must defy every threat to this essential liberty.**

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**By John H. Cochrane**

**T**he Hoover Institution stands for freedom: “ideas defining a free society” is our motto. And economic freedom is central: you can’t guarantee political freedom, social and lifestyle freedom, freedom of speech and expression, without economic freedom.

Economic freedom is freedom to buy and sell without a government watching every transaction. Freedom to save, and invest your capital with the most promising venture, at home or abroad, or to receive investment from and sell assets to anyone you choose—whether the investments conform to a government’s plans or not.

But freedom is not anarchy. Economic and financial freedom depend on a public economic infrastructure. They need functioning markets, property rights, an efficient court system, and rule of law; they need stable and efficient money and a government with sound fiscal affairs that will not inflate, expropriate, or repress finance to its benefit, and freedom from confiscatory taxation.

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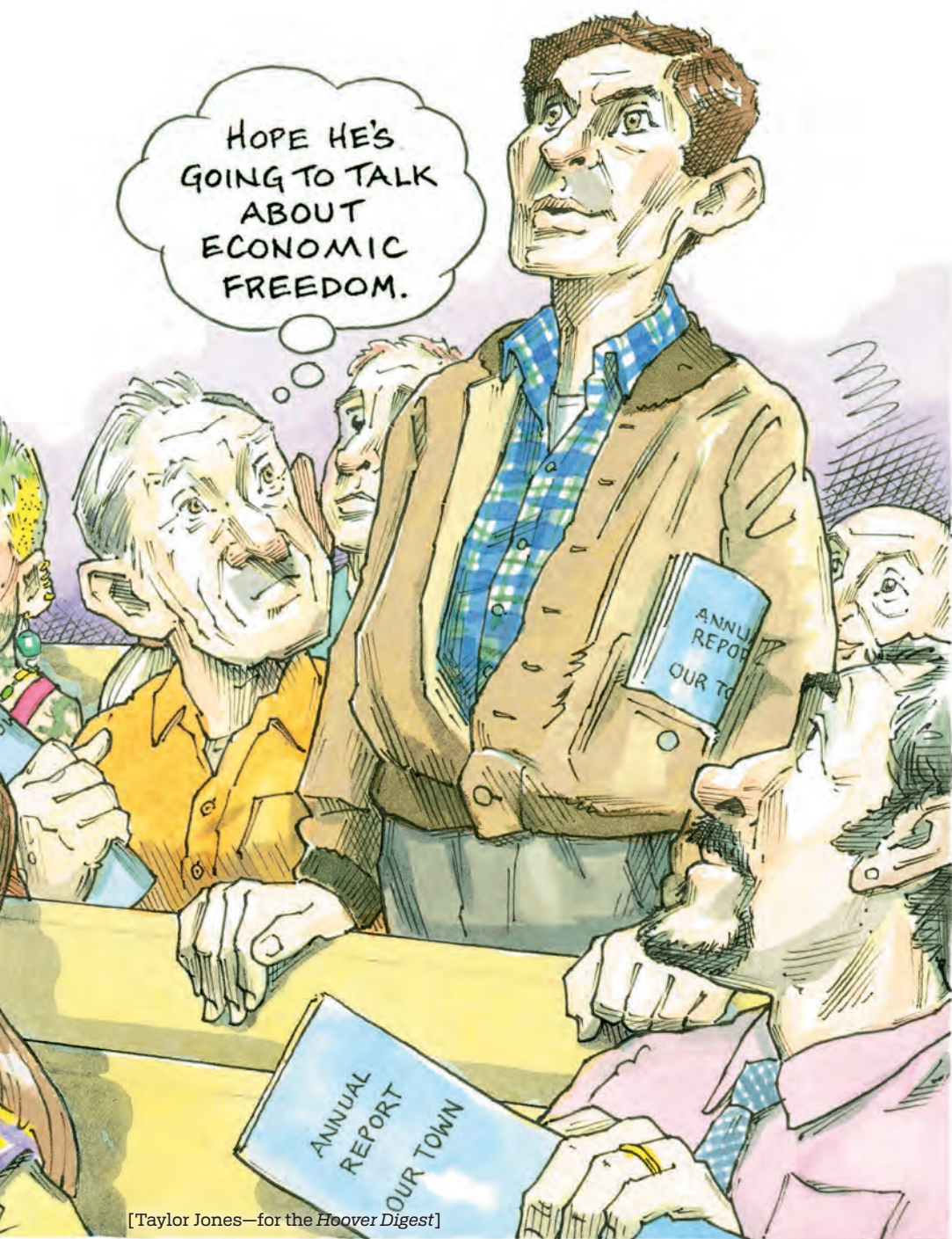
Here lies our conundrum. The government that can set up and maintain this public architecture can restrict trade and finance. Businesses, workers, and other groups can demand protection. The government can control finance for political ends and to steer resources its way. And that ever-present temptation is stronger for finance. Willie Sutton, asked why he robbed banks, responded, “That’s where the money is.” Governments have noticed as well.

Ideas matter. People care about prosperity, too. Citizens and voters must understand that their own freedom, and that of their neighbors, is the best guarantor of their and the common prosperity. Two hundred and fifty years after Adam Smith, most Americans still really do not trust that fervent competition, as opposed to extensive regulation, is their best protection. See our rent control and labor laws. That necessary understanding remains even more tenuous in financial affairs.

Can a freer financial, payments, monetary, and capital market system work? How? It is our job—ours, the “ideas defining a free society” people—to put logic and experience together on this question. And the answer is not obvious. Finance paid for our astonishing prosperity. But the history of finance is also full of crashes, panics, and imbroglios. Government finance won wars but also impoverished







[Taylor Jones—for the Hoover Digest]

nations. Economic freedom does not mean freedom to dump garbage in a neighbor's back yard. Just how this parable applies to financial markets is an important question.

The past hundred years have seen a great ebb and flow of freedom in financial and monetary affairs. The immediate future is cloudy, suggesting more ebb, but offering some hope for flow.

Hoover scholars have been and are in the midst of it. Milton Friedman spent a quarter century at Hoover, advancing free exchange rates, free trade,

open capital markets, sound money, and sound fiscal policy. John Taylor took up that baton. Allan Meltzer, author of the

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### ***Dodd-Frank is just the latest patch on the same leaky ship.***

magisterial history of the Federal Reserve, was a frequent visiting fellow. George Shultz spearheaded the transition to floating exchange rates and free capital movement, fought valiantly against price controls, and anchored the Reagan administration's effort to eliminate inflation and fix the tax code. Many others contributed, and Hoover today is just as alive to those challenges as in decades past.

Let's focus on some pivotal stories from our financial history.

## **FAILING WELL**

Bank and financial panics have been central to the ebb and flow of financial freedom for all of the past hundred years. The banking panic of 1933 was surely the single event that made the Great Depression great. It was centrally a failure of regulators and regulation. The Federal Reserve had been set up in 1914 to prevent another panic of 1907. It promptly failed its first big test. Microregulation failed too. Interstate banking and branch banking were illegal, so, when the first bank of Lincoln, Nebraska, failed, it could not sell assets to J. P. Morgan, which could have reopened the bank the next day. The bank could not recapitalize by selling shares. Soon enough the people who knew how to make loans were out selling apples.

As usual, the response to a great failure of regulation was . . . more regulation. Deposit insurance protected depositors. But offering insured deposits to bankers is like sending your brother-in-law to Las Vegas with your credit card. So the government started extensively regulating how banks invested, and forbade banks to compete for deposits. But people in Las Vegas holding your credit card for twenty years get creative. From Continental Illinois to the savings and loan crisis, to the Latin American and Southeast Asian

crises, to Long-Term Capital Management and Bear Stearns, and finally to the great crisis of 2008, we repeated the same story: bail out larger classes of creditors, add regulations to try to stop more creative risk taking, add power to regulators who really, *really* will see the next one ahead of time, and promise it won't happen again. Dodd-Frank and today's "macroprudential" policy are not new, they are just the latest logical patch on the same leaky ship.

An alternative idea has been around since the 1930s. Financial crises are runs, period. Runs are caused by a certain class of contract, like deposits, which promise a fixed value, first-come-first-served payment, and the bank fails if it cannot pay immediately. Then, if I hear of trouble at the bank, I run down to get my money before you do, and the bank fails. The solution is simple: let banks get

their money largely by issuing equity and long-term debt. Such banks need no asset regulation, and no protection from

competition, as they simply cannot fail. Run-prone short-term debt financing is the garbage in the neighbor's back yard, and eliminating it is the key to financial freedom—and innovation.

Many of us at Hoover have been advancing this idea, adapted to modern technology, along with reform of the bankruptcy code so that large banks can fail painlessly, a lesson we should have learned from the 1930s. It is slowly gaining traction in the world of ideas, though not yet in the world of policy. A lot of vested interests will lose money in this free world, not the least of which are the vast regulatory bureaucracy and economists who serve them more-welcome ideas.

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***The past thirty years have seen the greatest decline in poverty around the globe in all human history.***

## **CRISES CUT BOTH WAYS**

Financial freedom includes the right to buy and sell abroad as you see fit, and to invest your money or receive investment income from wherever you wish, even if that crosses political boundaries. As always, that freedom leads to prosperity.

The world learned a hard lesson from the disastrous Smoot-Hawley tariffs of the 1930s. The postwar order then built an international system aiming for free trade and free capital markets. Now free trade and capital should be easy. But every government faces strong pressure and temptations to protect weak industries, and their employees, and to redirect its citizens' savings to pet projects, favored sectors, and government coffers, mixed with frankly xenophobic fears of "foreign ownership." The postwar order was a long, hard



slog, with international agreements that were more managed mercantilism than free trade, and consistent US leadership. Capital freedom took even longer to win than trade freedom. As recently as the 1960s, US citizens were not allowed to take money abroad, and many people around the world still face such restrictions.

This time, a crisis helped. The Bretton Woods system of 1945 had envisioned free trade but little net trade, so it wanted fixed exchange rates and

allowed capital controls to continue. The US deficits and inflation of the early 1970s blew that apart, leading to floating exchange rates and open capital

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***A lot of vested interests will lose money in this free financial world, including the vast regulatory bureaucracy and the economists who serve them.***

markets. By the 1990s, the world had entered an era of vastly expanded trade and international investment and strong economic growth.

The past thirty years have seen the greatest decline in poverty around the globe in all human history. The much-maligned “globalization” and “neoliberalism” were a big part of it. I think we shall remember this era nostalgically, alongside the free trade and free capital Pax Britannica of the late nineteenth century.

But crises often lead to bad policy in international finance as well. The Latin American and Southeast Asian crises of the 1990s, even before the great financial crisis hit in 2008, unsettled many nerves. The stories look familiar: Latin American governments borrowed too much money, again, and US banks found a way to leverage their too-big-to-fail guarantees around the supposedly wise oversight of risk regulators, again. East Asian governments were on the hook for their banks’ short-term borrowing and big American banks were lending—again.

But the policy community, and countries wanting cover for bail-outs and expropriations, convinced themselves that dark forces were at work and that all foreign capital—not just short-term foreign-currency debt—is dangerous and must be controlled. Now even the International Monetary Fund (IMF), formerly the bastion of free exchange rates, free capital flows, and fiscal prudence, advances capital controls, exchange-rate intervention, and government spending on solar cells and consumer subsidies, in the name of climate and inequality, even in times of crisis.

I think the world of ideas failed to understand what it had created. For a generation, economists scratched their heads because countries seemed to

invest mostly out of their own savings rather than borrow from abroad, and called this a puzzle. When the world started to look like our models, and huge trade and capital surpluses and deficits emerged, economists pronounced “savings gluts” and “excessive volatility” needing “policy makers” to “manage flows,” and lots of clever economists to advise them. Time-tested verities do not get you famous in economics.

## **A BATTLE FOR FINANCIAL FREEDOM**

Let me speculate a bit. Sooner or later, if our path does not change, the Western world will confront a sovereign debt crisis. Our governments have made promises they cannot keep, buttressed by economists bearing the singularly bad idea that debts do not have to be repaid. Since government debt is the core of the financial system, most of which depends on a bail-out of borrowed money, the subsequent financial crisis will be unimaginably awful.

Innovations will force some fundamental choices. We are headed into a world of electronic rather than cash transactions. But cash has one great freedom-enhancing virtue: anonymity. If the government can watch everything you buy and sell, or exclude people from the ability to transact, all sorts of freedoms vanish. Now, governments have good reasons to monitor transactions to better collect taxes and to make life difficult for criminals, drug smugglers, and terrorists. But governments also have many bad reasons: to impose capital controls and trade barriers, to prop up onerous domestic regulations, and to punish political enemies, foreign and domestic.

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***Will the Fed and Congress continue to defend by regulation the oligopoly of banks and credit card companies?***

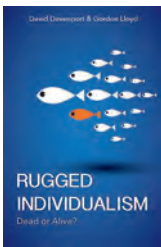
So a great battle of financial freedom will play out. Will the emerging electronic payments system work on the Chinese social credit model? Or will innovation undermine Leviathan—and undermine even basic law enforcement efforts? Can we re-establish a balance among anonymity, freedom, and optimally imperfect enforcement of often ill-conceived financial laws and regulations?

In a larger sense, Silicon Valley is trying to do to finance what Uber did to taxis. Will the Fed and Congress allow narrow banks, electronic banks, payments networks like Libra, and Internet lenders to compete and serve us better? Or will they continue to defend by regulation the oligopoly of banks and credit card companies?

Larger questions hang over us. On one political side seems to lie business as usual—unreformed, highly regulated banks, the usual subsidies such as Fannie and Freddie, student loans, and so on, with increasing restrictions on international trade and investment. On the other side lies a large increase in bank regulation, direction of credit to “Green New Deal” projects and favored constituencies, and extreme levels of capital taxation. From the Fed, central banks, the IMF, the Organization for Economic Co-operation and Development, the Bank for International Settlements, the Consumer Financial Protection Bureau, and so on, I hear only projects for ever larger expansion of their role in directing finance.

I do not hear many voices for patient liberalization. Ideas defining a free society will be sorely needed. ■

*Special to the Hoover Digest.*



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# Reclaiming Our Birthright

To endure the storms of the new decade, cling to the anchor: **personal autonomy.**

By **Peter Berkowitz**

The American experiment in free and democratic self-government confronts two decisive challenges. One stems from an illiberal and antidemocratic great power abroad. The other arises from an obdurate attack on America's commitment to freedom and democracy at home. Despite disparate sources, they are interconnected: to meet the challenge from without, the United States must prevail over the challenge from within.

The China challenge is daunting. That's not because the world's most populous country has taken its place among the great powers of the world, but rather because of China's peculiar conception of the world and its rightful place in global affairs. China seeks to revise the established international

## Key points

- » Reforming the educational system—so that it transmits, rather than suppresses, the principles of freedom—is essential.
- » “The 1619 Project” set out to show—contrary to the facts—that slavery was essential to America and remains hard-wired in it.
- » The unique feature of America's nationalism has always been its concern for liberty.

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order—which favors sovereign nation-states committed to protecting human rights and fundamental freedoms—to suit the authoritarianism of its communist form of government and the expansionist and hegemonic aspirations of its interpretation of Chinese nationalism.

Meanwhile, the educational challenge at home is formidable. Schoolteachers and college professors are determined to prohibit questions about their wholesale indictment of the United States, which they accuse of myriad forms of oppression. Launched to great fanfare last year in the *New York Times Magazine*, “The 1619 Project” was only the latest and most extravagant expression of this campaign. The project’s central allegation—contrary to the facts and the scholarship—was that slavery has been the essential feature of

and remains hardwired in American politics. And its larger aim was to reorient the American school curriculum to focus on the pervasive and enduring racism that, it contended,

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***The trial of publisher John Peter Zenger rejected the idea that speaking the truth about government, however critical, was punishable by law.***

was originally inscribed in the nation’s institutions and spirit at America’s true founding—in 1619, when slaves were first delivered to the English colonies.

This transformation of education into propaganda fosters contempt for the nation. Students raised on relentless exaggerations of the nation’s deviations from its professed ideals—while glossing over the ideals themselves and the many instances in which the United States, in honoring them, has provided a model to the world—will be less willing to embrace the demanding policies necessary to preserve an international order that fosters free and sovereign nations.

Consequently, reform of the American educational system—so that it transmits, rather than suppresses, knowledge of the principles of freedom—is an essential feature of sound American foreign policy.

## **“OUR LONG MARRIAGE TO LIBERTY”**

Reformers can draw inspiration from Richard Brookhiser’s *Give Me Liberty: A History of America’s Exceptional Idea*. A veteran senior editor at *National Review* and author of thirteen previous books, Brookhiser concisely and compellingly relates the stories of “thirteen documents, from 1619 to 1987, that represent snapshots from the album of our long marriage to liberty.”

He rejects the view—once a staple of the left and recently embraced on the right—that classical liberalism, which holds that government’s purpose is to protect individual freedom, is inherently incompatible with nationalism, which champions government’s promotion of a particular people’s traditions and political aspirations. Certainly, national traditions can be chauvinistic and authoritarian, rooted in subjugation of the individual to the collective good, and bound up with conquest of other peoples. But the United States, notwithstanding the blemishes and flaws it shares with all countries, is different.

“The unique feature of America’s nationalism is its concern for liberty,” writes Brookhiser. “We have been securing it, defining it, recovering it, and fighting for it for four hundred years. We have been doing it since we were a floundering settlement on a New World river, long before we were a country. We do it now on podiums and battlefields beyond our borders.”

Even the year 1619 testifies to liberty’s deep roots in America. True, it was then that the first slaves arrived. But slavery was an Old World import. In the same year, the minutes of the Jamestown General Assembly marked an advance in self-government: the freemen of the British colony established in the New World the first

legislature by electing representatives, each of whose votes was counted as equal.

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***The transformation of education into propaganda fosters contempt for the nation.***

Religious liberty and free speech gained strength in pre-revolutionary America. The 1657 Flushing Remonstrance rebuked Peter Stuyvesant, director-general of New Netherland (the Dutch colony headquartered on what would become Manhattan), for intolerance of Quakers. Signed by twenty-six town residents, none of whom was a Quaker, the Remonstrance argued that religious freedom was a biblical imperative. In the 1735 trial of New York newspaper publisher John Peter Zenger for seditious libel, which resulted in a verdict of not guilty, defense lawyer Andrew Hamilton stirringly rejected the idea that speaking the truth about government, however critical, was punishable by law.

America’s founding documents, Brookhiser emphasizes, put freedom at the center. In 1776, the Declaration of Independence proclaimed that legitimate government is grounded in the consent of the governed and has as its proper purpose the protection of unalienable rights, which by definition inhere in all persons. In 1787, the drafters of the Constitution presented for ratification to the people of the thirteen states a charter of government carefully crafted to

secure those rights. And in 1863 at Gettysburg, President Abraham Lincoln paid tribute to the fallen soldiers who fought to preserve a “nation, conceived in liberty and dedicated to the proposition that all men are created equal,” while summoning his fellow citizens to rededicate themselves to the equality in freedom in which the nation was born.

## **FREEDOM THROUGH THE YEARS**

Two of the documents to which Brookhiser devotes chapters illustrate citizens’ role in extending freedom. The 1785 constitution of the New York Manumission Society maintained that slavery had no place in a free society because God gave to all human beings an “equal right to life, liberty, and property.” The 1848 Seneca Falls Declaration of Sentiments rallied support for women’s equality by appealing to the unalienable rights that inspired the nation’s founding.

American views about immigration and the economy also reflect an enduring commitment to freedom. In “The New Colossus,” composed in 1883 and installed on the pedestal of the Statue of Liberty in 1903, Emma Lazarus connects freedom to refuge for the oppressed: “Give me your tired, your poor/

Your huddled masses  
yearning to breathe free/  
The wretched refuse  
of your teeming shore/  
Send these, the homeless,

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### ***America’s founding documents put freedom at the center.***

tempest-tost to me/ I lift my lamp beside the golden door!” In his 1896 “Cross of Gold” speech delivered in Chicago at the Democratic National Convention, William Jennings Bryan presented equal treatment for workers as an imperative of freedom.

Freedom also directly informs American foreign policy. In his 1823 message to Congress, President James Monroe placed the Western Hemisphere off limits to further colonization by European monarchies. The Monroe Doctrine, Brookhiser argues, “made America, as far as we were able, the advocate of liberty in the world.” In a 1940 fireside chat, President Franklin Delano Roosevelt announced that the defense of American liberty required the United States to become “the great arsenal of democracy” in support of Britain against the Nazis. And in 1987, before the Brandenburg Gate and in the shadow of the Berlin Wall—the grim barrier built by the communist bloc to lock residents in and keep others out—President Ronald Reagan reaffirmed the American conviction that liberty is the right of all humanity: “Mr. Gorbachev,” he exhorted



the general secretary of the Communist Party of the Soviet Union, “tear down this wall.”

Americans are the inheritors of a proud legacy of liberty. To meet the challenges to freedom at home and abroad, we must make a priority of reclaiming that legacy. ■

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# *Honor the World's Hopes*

**Why support the world's freedom-seeking people?  
For reasons both moral and practical.**

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**By Larry Diamond**

**S**ince the end of the Cold War, democracy has made many gains, but the fate of freedom now hangs in the balance. With astonishing courage and resolve over the past several months, ordinary citizens in Algeria, Sudan, Venezuela, and Hong Kong—in numbers and creativity that nearly defy comprehension—have shown that aspirations for democracy did not die with the implosion of the Arab Spring in 2013 or the relentless, bullying rise of a neototalitarian China. In the face of sometimes brutal and even deadly state repression, the courageous mobilization of ordinary citizens, standing up for their rights, should inspire all of those who live in established, liberal democracies.

At the same time, the ill winds of strongman populism, intolerance of minorities, and readiness to eclipse constitutional norms—which have already eviscerated democracy in countries such as Hungary, Turkey, and Bangladesh—now cast a shadow over the future of democracy in the

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*Larry Diamond is a senior fellow at the Hoover Institution and the Freeman Spogli Institute for International Studies. He is also a professor by courtesy of political science and sociology at Stanford University. His latest book is **Ill Winds: Saving Democracy from Russian Rage, Chinese Ambition, and American Complacency** (Penguin Press, 2019).*

Philippines, Poland, and India, particularly after Indian prime minister Narendra Modi's dismissal of the state government in Kashmir.

The more than decadelong recession of freedom and democracy could accelerate into a tumultuous wave of democratic breakdowns, in which global political momentum would shift decisively to autocracies trying to shape their regions and the world in their image—cynical and ambitious dictatorships such as those in Russia, Iran, Saudi Arabia, and China. Alternatively, the peaceful mobilization of people power and smart organization of pro-democracy movements could give rise to what President Lincoln called “a new birth of freedom.”

People make their own history, but they do not make it in a vacuum. And the US government cannot deliver freedom as a gift to any country—whether at the point of a gun or in a ceaseless flow of dollars. But in any era, what the world's most powerful democracies do (or fail to do) to defend rights, support democrats, strengthen institutions, and deter repression can help tip the balance between dictatorship and democracy. And this balance can be tipped peacefully, without resorting to the use of military force.

## **A WORLD AT STAKE**

Americans must decide anew whether to use their collective voice—and diplomatic and financial resources—to stand up for freedom or to step back and say, “it's not our fight; it's none of our business,” instead pursuing narrow national interests, however ugly that may look.

Models, trends, and ideas cascade across borders. People everywhere form ideas about what is a good (or irresistible) way to govern based on what they see happening elsewhere—on CNN, on Al Jazeera, or on Twitter. Any wind of change may strengthen quickly into a gale—and the United States cannot afford to remain silent.

The world is immersed in a fierce contest of ideas, information, and norms that shapes how people think about their political systems and the future world order. In the digital age, that contest moves at lightning speed. The situation becomes all the more precarious because authoritarian regimes increasingly threaten popular sovereignty and the rule of law in established democracies. Covert foreign flows of money, influence, and social media messaging subvert and corrupt democratic processes and institutions from the United States to the European Union.

If Americans want to defend core principles of self-government, transparency, and accountability at home, there is no choice but to promote them globally. Moreover, if Americans do not worry about the quality of governance

in lower-income countries, the world will have more and more troubled and failing states. Famine and genocide are the curse of authoritarian, not democratic, states. And state collapse is also the ultimate bitter fruit of tyranny.

When states like Syria, Libya, and Afghanistan descend into civil war;  
when poor countries in Africa fail  
to generate jobs and improve  
the lives of their people  
because of bad  
governance;  
when Central





American societies are held hostage by brutal criminal gangs and cavalier kleptocratic rulers, people flee. And they frequently flee to the United States and the EU. The world has simply grown too small and flat to wall off rotten states and pretend they are on some other planet. Europe and the United States can't withstand rising pressures of immigration in the long run—and the political backlash such immigration is feeding—unless they work to generate better, more stable, and more accountable government in troubled countries.

There are also harder security interests at stake. As the Trump administration's own National Security Strategy makes clear, the primary threats to US national security all stem from authoritarian states—especially Russia



[Taylor Jones—for the *Hoover Digest*]



***NEXT STEP: Antigovernment protesters continue their daily demonstrations in Algiers, though with numbers diminished. Protests against corruption and army rule toppled Algeria's president last year without violence, but the future of the democracy movement is uncertain.*** [Mohamed Kadri/Imagespic]

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and China, but also Iran, North Korea, and others—and antidemocratic terrorist movements such as the Islamic State.

Supporting democratic development around the world is a way to deny these authoritarian adversaries the geopolitical running room they seek. Just as Russia, China, and Iran are trying to undermine democracies to bend other countries to their will, the United States can contain their ambitions for greater power by helping other countries build effective, resilient democracies.

Democratically elected governments with open societies will not support the US line on every issue. But no free society wants to mortgage its future to another country. The United States' vital interests would be best secured by a

pluralistic world of free countries in which powerful adversaries cannot use corruption and coercion to gobble up resources, alliances, territory, and sea lanes.

## UNIVERSAL HOPES

There are plenty of critics of this approach. Detractors say democracy promotion is arrogant, or none of America's business. That's false, but it still doesn't mean Washington should push its own model of democracy on others.

Like many American lecturers as well as diplomats abroad, I have found that openness and humility count for a lot. Presenting the United States in a balanced light, honestly reflecting on its democratic shortcomings, pre-empted a lot of suspicion and criticism. It conveys the idea that we are all on a journey toward better, freer, more accountable government, and that both sides gain from partnership. And, most of all, it shows that a real democracy is one where even those speaking or working on its behalf are willing—and free—to be critical of their own government.

Another critique is that Americans and Europeans should not push so-called Western values on non-Western societies. This kind of cultural relativism is a deeper form of arrogance, on three levels.

First, it suggests that freedom, while precious to people in the West, isn't important to or needed by people elsewhere; it implicitly argues that people elsewhere don't have the same innate rights as human beings. But since the end of World War II, numerous international treaties and declarations have codified civil and political rights as universal human rights.

Second, this brand of cultural relativism falsely suggests that liberal democratic values of individual rights, political accountability, and limited government have roots only in the Western Enlightenment, when in fact one can point to relevant traditions in many other cultures, from Confucian norms mandating good governance and justifying the people's right to rebel against despotism to India's vaunted traditions of pluralism, tolerance, and deliberation.

And, finally, it fails to reflect the evidence from public opinion surveys, which show that the desire for democratic, accountable government—rooted in the rule of law—is broadly and even intensely shared across cultures.

There is another critique that holds that Americans need to put America first, and that means backing authoritarian allies whenever necessary—even when they are corrupt and unsavory figures like Abdel Fattah al-Sisi in Egypt. No serious strategy for democracy promotion argues for an exclusive focus on democracy. But even among authoritarian allies, US diplomats can—and should—raise human rights concerns, support advocates for freedom and accountability, and encourage gradual political reform.



The old alleged Franklin D. Roosevelt line about Nicaragua's strongman, Anastasio Somoza, "he may be a son of a bitch, but he's our son of a bitch," goes only so far in securing the national interest. Somoza fell to an anti-American revolution. So did the US-backed shah of Iran. When Washington backs such regimes and assumes they will hang on, it often ends badly both for their people and for Americans.

Some America Firsters say it's too expensive to support democratic development around the world. But foreign aid in all forms represents only 1 percent of the federal budget, and the amount spent to promote democracy, freedom, and accountability around the world represents about one-tenth of 1 percent of the federal budget.

Finally, critics argue that democracy promotion is too risky or can't make a difference. History says otherwise. From Portugal to South Africa to Chile, international assistance has helped nudge fraught transitions toward democracy under perilous circumstances. It is highly unlikely that people in the Philippines or Tunisia or Ukraine will be better off—or that the United States will be more secure—if these countries slide back to autocracy. And it is hard to imagine that life in disintegrating autocracies such as Venezuela, Algeria, and Sudan—or in Hong Kong's decaying and crisis-ridden system—would be worse under a genuine democracy.

There is no guarantee that an attempt to establish democracy will succeed. But it is not for the United States to tell people struggling for freedom to stand down—that it's too risky for them and inconvenient for Americans. Helping them defend their freedom is important to US national security and to who Americans are as a people. ■

*Adapted from Larry Diamond's Ill Winds: Saving Democracy from Russian Rage, Chinese Ambition, and American Complacency (Penguin Press, 2019). © Penguin Group (USA) LLC.*



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# *The Assault on Wealth*

**Socialism may seem cool all of a sudden, but confiscating wealth is just plain wrong—and does nothing to help the poor or anyone else.**

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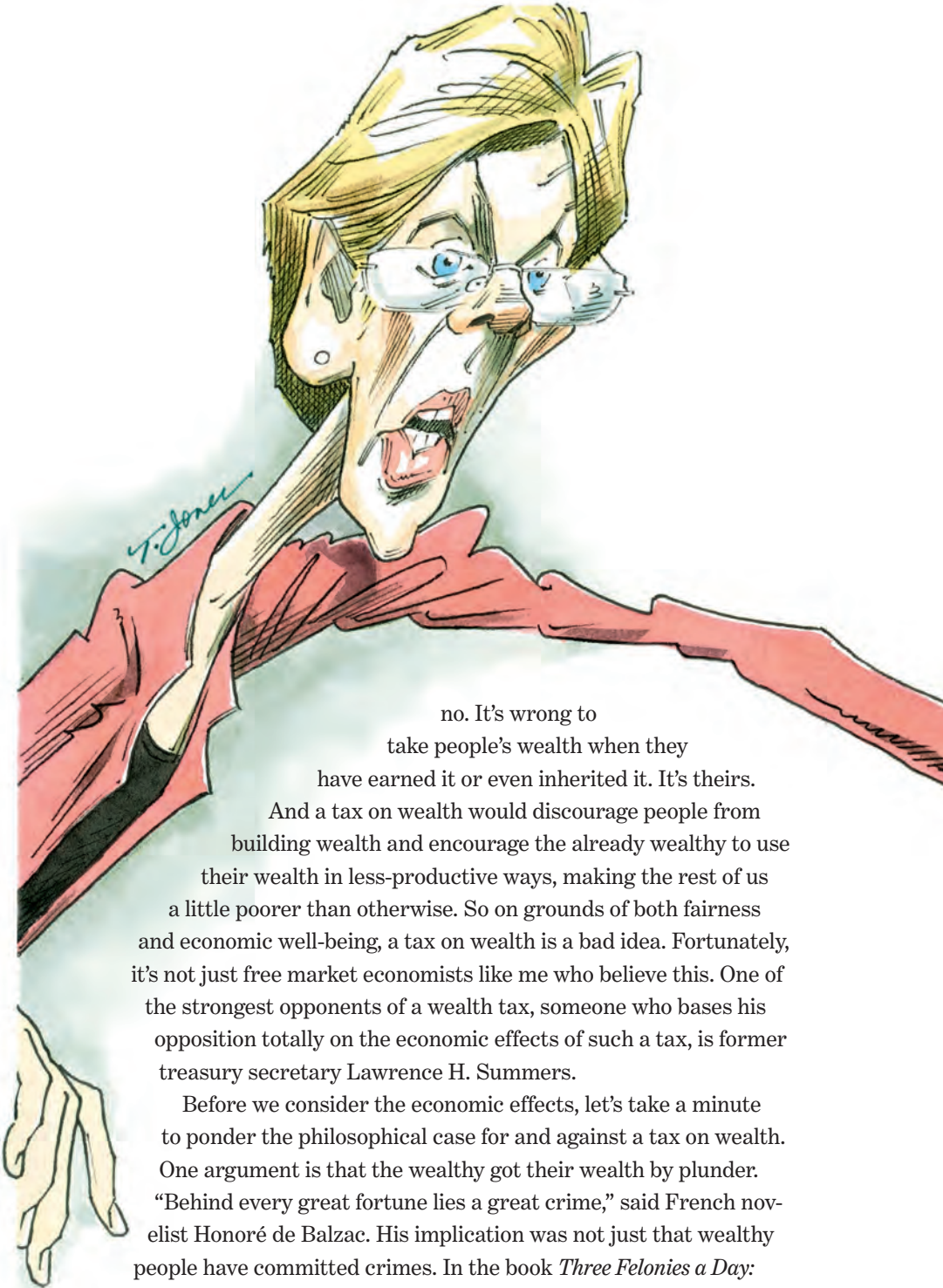
**By David R. Henderson**

Over the past few years we have seen a growing attack on the very wealthy and even, to some extent, the very idea of wealth. Last September, for example, candidate Bernie Sanders stated, “I don’t think that billionaires should exist in the United States,” adding “I hope the day comes when they don’t.” He also referred to the current income and wealth inequality in the United States as “outrageous and immoral.” His fellow Democratic candidate Elizabeth Warren, whose net worth is \$12 million, also remains hostile to the very wealthy. Both she and Sanders advocated a substantial annual tax on wealth. Warren proposed a 2 percent annual tax on all wealth over \$50 million and a 6 percent annual tax on all wealth over \$1 billion. Sanders proposed a much higher wealth tax, starting at 1 percent on wealth above \$32 million and reaching 8 percent on wealth over \$10 billion.

Even some prominent economists advocate substantial taxes on wealth. Is such a tax justified? Will it have good economic effects? The answers: no, and

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no. It's wrong to take people's wealth when they have earned it or even inherited it. It's theirs. And a tax on wealth would discourage people from building wealth and encourage the already wealthy to use their wealth in less-productive ways, making the rest of us a little poorer than otherwise. So on grounds of both fairness and economic well-being, a tax on wealth is a bad idea. Fortunately, it's not just free market economists like me who believe this. One of the strongest opponents of a wealth tax, someone who bases his opposition totally on the economic effects of such a tax, is former treasury secretary Lawrence H. Summers.

Before we consider the economic effects, let's take a minute to ponder the philosophical case for and against a tax on wealth. One argument is that the wealthy got their wealth by plunder. "Behind every great fortune lies a great crime," said French novelist Honoré de Balzac. His implication was not just that wealthy people have committed crimes. In the book *Three Felonies a Day: How the Feds Target the Innocent*, criminal defense attorney Harvey Silverglate argues loosely that a large percentage of American adults are criminals even if they don't know it. Silverglate's book focuses on crimes that

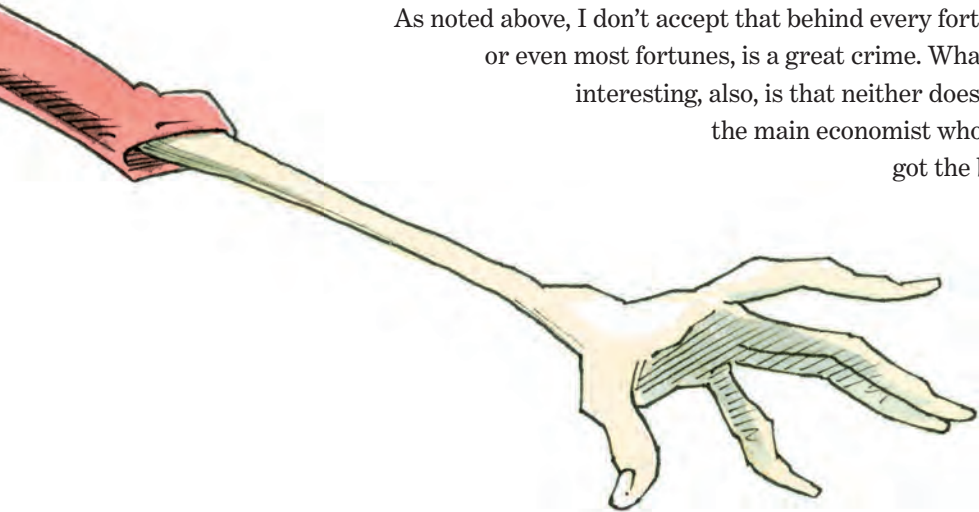
businessmen can commit in their daily business, and virtually every fortune comes out of running or owning a business. But Balzac wasn't talking about the penny-ante crimes Silvergate documents that can get people in legal trouble; that's why Balzac used the adjective "great" to describe the crime.

What if we accept Balzac's claim as true? I don't accept it, and I'll say why anon, but let's entertain the idea for a minute.

What follows from that? Wouldn't the best strategy be to charge the criminals with their crimes? In one of her campaign ads, Warren highlighted billionaire Leon Cooperman, who she claimed was charged with insider trading. Put aside the debate over whether insider trading should be illegal. Notice two things. First, Warren said Cooperman was charged with insider trading. But his firm, Omega Advisors, settled with the Securities and Exchange Commission, paying a fine of \$4.9 million, and admitted no wrongdoing. Did the firm engage in insider trading? I don't know. And neither does Warren. But if the SEC had been fairly confident that it could win the case, it didn't have to settle.

## PIKETTY GETS RICH

As noted above, I don't accept that behind every fortune, or even most fortunes, is a great crime. What's interesting, also, is that neither does the main economist who got the ball



[Taylor Jones—for the *Hoover Digest*]



rolling on wealth taxes a few years ago. The economist who, more than any other, made attacks on the wealthy more generally respected is Frenchman

Thomas Piketty. His 2014 best seller, *Capital in the Twenty-First Century*, which, incidentally, made him a wealthy man—it had sold 1.5 million copies

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***I don't accept that behind every fortune, or even most fortunes, is a great crime.***

by January 2015—gave a sustained argument for heavy taxes on wealth. But even Piketty admitted that one can acquire a huge fortune without committing a crime.

Piketty wrote, “To be frank, I know virtually nothing about exactly how Carlos Slim [the richest man in Mexico] or Bill Gates became rich, and I am quite incapable of assessing their relative merits.” Translation: even if they didn’t commit crimes, the government should take a substantial portion of their wealth. Addressing the possible relationship between crime and wealth, Piketty continues, “In any case, the courts cannot resolve every case of ill-gotten gains or unjustified wealth. A tax on capital would be a less blunt and more systematic instrument for dealing with the question.” Excuse me? A tax on capital is less blunt than using the legal system to go after those who have committed crimes? That makes no sense. If the goal is to go after ill-gotten gains or unjustified wealth, a tax on capital, i.e., wealth, is a completely blunt instrument.

Let’s say you don’t buy my philosophical reasoning about why people who create wealth deserve it. There’s still a strong economic case for not taxing wealth. Allowing people to keep their wealth gives them an incentive to save and invest in capital. The greater the amount of capital, the more capital there is for workers to use on the job. Remember that capital is not money; capital

is made up of things like plant and equipment.

Even a sewing machine is valuable capital if the alternative is sewing by hand. The greater the

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***Robert Solow, to his credit, admits that taxes on wealth would hurt economic growth and hurt workers.***

amount of capital per worker, the higher is the productivity of workers. And the higher the productivity of workers, the higher are real wages. Think about the productivity of a woman in Guatemala who has a sewing machine versus one who doesn’t. A tax on capital would cause capital to grow more slowly and, therefore, would cause real wages to grow more slowly.

Which would you rather have: Bill Gates having built a company that generates products that make virtually all of us more productive, or Bill Gates, early in the 1980s, deciding not to grow Microsoft and, instead, taking his millions and buying a nice house? I'm glad he chose the first option. I wouldn't be writing this article on a computer if neither he nor others had bothered to innovate.

You might think that Gates and Microsoft captured most of the gains from innovating for themselves. Even if they had, we would still be better off as long as we consumers got a sliver of the gains. It turns out, though, that the innovators are the people who get only a sliver. In a pathbreaking study in 2004, Yale University economist William D. Nordhaus, who was co-winner of the Nobel Prize in economics in 2018, estimated that between 1948 and 2001, the vast

majority of the gains from innovation were "passed on to consumers rather than captured by producers." Specifically, he wrote, "2.2 percent

of the total present value of social returns to innovation are captured by innovators." Maybe we should change the Balzac saying to make it more on target economically. How about, "Behind every great gain to consumers is an innovator"?

One economist who, surprisingly and disappointingly, has said positive things about taxing the wealthy more heavily is MIT's Robert Solow. He won the Nobel Prize in economics in 1987 for his work on explaining sources of economic growth. In his model, two important sources are capital and technology. And Solow, to his credit, admits that taxes on wealth would hurt economic growth and hurt workers. In a 2014 *New Republic* review of Piketty's book, Solow wrote:

The labor share of national income is arithmetically the same thing as the real wage divided by the productivity of labor. Would you rather live in a society in which the real wage was rising rapidly but the labor share was falling (because productivity was increasing even faster), or one in which the real wage was stagnating, along with productivity, so the labor share was unchanging? The first is surely better on narrowly economic grounds: you eat your wage, not your share of national income.

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***Elizabeth Warren likes to say she's asking the very wealthy to "pitch in two cents." But it's not two cents, and she's not asking.***



Translation: If you want labor to get a bigger share of a smaller output, you might favor taxing wealth. But if you want labor to get more in absolute terms, you should oppose taxing wealth.

Nevertheless, Solow expressed sympathy for taxes on wealth. In the next two sentences of the paragraph quoted above, he explained why:

But there could be political and social advantages to the second option. If a small class of owners of wealth—and it is small—comes to collect a growing share of the national income, it is likely to dominate the society in other ways as well.

What are those advantages? He doesn't say. That's understandable in a book review, but even Piketty, in a 685-page book, doesn't get around to saying how the wealthy would dominate society.

## **PAY UP, OR ELSE**

In a recent forum at the Peterson Institute for International Economics, Piketty's sometimes co-author Emmanuel Saez of the University of California, Berkeley, made his case for a tax on wealth and claimed that the wealthy have disproportionate influence on economic policy. In a segment that is beautiful to see, Larry Summers challenged Saez to give an example where reducing wealthy people's wealth by 20 percent would produce better political, social, or cultural

decisions. Summers to Saez: "You've been making this argument for years. Do you have one example?" Saez didn't.

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### ***Letting people keep their wealth gives them an incentive to save and invest in capital.***

Summers went on to make the point that very wealthy people can have a large influence by spending a trivial percentage of their wealth. Even heavy taxes on wealth would leave them quite wealthy.

In his earlier presentation on the panel, Summers made another important point. He considered three activities that wealthy people engage in. Activity A is continuing to invest it productively. Activity B is consuming it—for example, by hiring a big jet and taking their friends to a nice resort. Activity C is donating it to causes and, if the causes are political, having even larger influence on political causes than they have now. Both B and C are ways to avoid a tax on wealth; A is not.

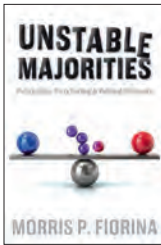
One final note. I know that politicians of all stripes lie, but one highly misleading line that Warren likes to use is that she's asking the very wealthy



to “pitch in two cents.” I’ll put aside the fact that she really means 2 percent. She knows that and I hope the vast majority of her audience knows that. My big problem is the word *asking*. She’s not asking; that’s not how the IRS operates. Warren is threatening to use force on those who don’t comply.

A tax aimed at the wealthy is a bad idea on philosophical and economic grounds. Let’s hope both Sanders and Warren pay the price for their proposed assault on the wealthy and, indirectly, their assault on the rest of us. ■

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# A Taxation Dead End

**High taxes on capital gains do harm twice over: they lower investment and provoke capital flight.**

*By Lee E. Ohanian*

**I**n 2011, superstar investor Warren Buffett made headlines not for his investment recommendations but for his opinion that tax rates on high earners should substantially increase. He proposed the Buffett rule, which would impose a minimum 30 percent effective tax on those with incomes exceeding \$1 million. This was supported by then-president Barack Obama and 2016 Democratic presidential nominee Hillary Clinton.

Buffett repeated his opinion last year, arguing, “the wealthy are definitely undertaxed relative to the general population.”

Buffett might be viewed as the new age Robin Hood, but it’s not as if he has been putting his money where his mouth is. For years, Buffett has

## **Key points**

- » Contra Buffett, Sanders, and Warren, low capital-income tax rates are a good thing.
- » Capital income is about the least efficient source of tax revenue in the economy.
- » Capital-income taxation is ultimately borne by workers. Lower investment means lower capital per worker, reducing worker productivity and pay.
- » Better ideas: a national sales tax and an expanded earned-income tax credit.

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*Lee E. Ohanian is a senior fellow at the Hoover Institution and a professor of economics and director of the Ettinger Family Program in Macroeconomic Research at UCLA.*

exploited all tax benefits to minimize his tax payments, including unrealized-income offsets. Buffett does this by transferring the income growth in his assets into price appreciation of stock in Berkshire Hathaway, the corporation he runs. The tax is not due until the stock is sold.

And speaking of Berkshire Hathaway, Buffett's corporation recently paid one of the lowest corporate tax rates among all major US corporations. Berkshire Hathaway paid a *negative* 8.02 percent tax rate for tax year 2018, the third-lowest tax bill among the Fortune 100 companies.

## A VERY BLUNT TOOL

Federal tax rates on high earners are relatively low not only because of the tax considerations used by Buffett but also because capital income is often taxed at a lower rate than labor income. Contrary to Buffett's opinion and those of Democratic presidential candidates Bernie Sanders and Elizabeth Warren, low capital-income tax rates are a good thing.

If Buffett's recommendation were implemented, the US economy would decline, capital would move abroad, and the costs would be borne by workers.

Standard economic logic robustly indicates that capital income be taxed at a very low rate, if at all. This finding is not based on political considerations. Rather, capital income is about the least efficient source of tax revenue in the economy. Economists don't like taxing capital income because it generates relatively little revenue in the long run while it distorts economic decisions, particularly the decisions to invest and innovate.

The main reason is that investing is how individuals support future consumption. Taxing capital, year after year, means an ever-spiraling tax on future consumption.

Consider an investor who has a ten-year planning horizon. Taxing capital income at just a 20 percent rate for ten

years generates roughly a 200 percent tax rate on this future consumption. High tax rates on capital income lead investors to shift out of highly taxed assets and lead to capital flight.

European countries, which tend to have much higher tax burdens and much larger government sectors, tax capital income at relatively low rates. Dividend taxation is about 23.5 percent in Europe, the median capital-gains tax rate in Europe is 15 percent, and the average corporate income tax rate in Europe is 22.5 percent.

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***Standard economic logic robustly indicates that capital income be taxed at a very low rate, if at all.***

And for those who believe that the wealthy will end up paying higher capital-income taxes, think again. The incidence of capital-income taxation is ultimately borne by workers, even though the tax is levied on capital. Empirically, investors have required a fairly constant after-tax return. As tax rates rise, they reduce investment until the required after-tax return is restored. Lower investment means lower capital per worker, which reduces worker productivity and pay. Taxing capital income is not in the best interest of workers.

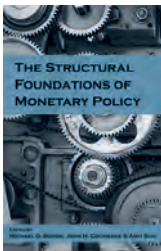
## THE PITFALL OF WEALTH TAXES

Countries that have heavily taxed capital income or taxed wealth have suffered and reversed course. In the 1940s and 1950s, Great Britain taxed capital income at nearly 100 percent. Investment dropped to nearly zero, and economic growth declined enormously until capital-income tax rates were aligned with those in other major countries.

In 1992, twelve major European countries taxed wealth. By 2017, only four of those countries (France, Norway, Spain, and Switzerland) were still taxing wealth. The experiences of other countries were plagued by implementation problems, including valuing assets that are traded infrequently, such as art and jewelry, and lower revenue collection than predicted.

There is a much more efficient method of taxation that treads lightly on low earners: implement a national sales tax and expand the earned-income tax credit. This reduces the tax burden on low-income households. It is also a tax that is much harder to escape than many other taxes, even for the Warren Buffetts of the world. ■

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# *The Trouble with Tariffs*

**Tariffs are sometimes seen as war by other means—and trade conflicts aren't exempt from the fog of war.**

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**By John B. Taylor**

People have debated for a long time whether economic instruments such as tariffs, embargoes, quotas, capital controls, financial sanctions, or asset freezes can achieve national security goals—economic, political, or military—and thereby help avoid international conflict, or even preclude war. The connection between economics and national security is an ancient issue. Thucydides wrote about the Athenians sending out ships to collect money to finance battles, but the very act of collecting money under force could be counterproductive and lead to war. In the modern globalized economy, the range of both instruments and goals is much wider than simply collecting revenues.

In their recent book, *War by Other Means: Geoeconomics and Statecraft*, Jennifer M. Harris and Robert D. Blackwill argue that economic instruments—including tariffs and embargoes—are essential to achieving geopolitical goals. They criticize economists for not thinking hard enough about how such economic instruments can be used as tools—even as replacements for weapons of war.

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*John B. Taylor is the George P. Shultz Senior Fellow in Economics at the Hoover Institution, the Mary and Robert Raymond Professor of Economics at Stanford University, chair of Hoover's Working Group on Economic Policy, and a member of Hoover's Shultz-Stephenson Task Force on Energy Policy.*

But barriers to trade or restrictions on movements of capital are costly to the people in the countries that use them. Thus they are not necessarily a good instrument to achieve other goals. Low or zero tariffs—free trade—improve people’s well-being by allowing comparative advantage and the expansion of markets. That is why unilateral reductions in tariffs—“unilateral disarmament” to adapt a term frequently used for military arms reduction—was recommended by the great economists Adam Smith and David Ricardo for Britain. Indeed, years later Milton Friedman recommended reducing trade barriers “unilaterally as Britain did in the nineteenth century.”

Nevertheless, historical experience has shown that unilateral approaches frequently do not work very well. Over time, countries have had more success reducing barriers to trade with bilateral or multilateral approaches. In fact, most trade barrier reductions, at least since World War II, have been achieved by the “reciprocal method,” in which tariffs and quotas are used as a negotiating tool. Trade negotiators from one country will say to their counterparts representing another country: “We will keep our trade barriers high if you keep your trade barriers high; but we will reduce our tariffs if you reduce yours.”

This approach works because it addresses key political considerations, namely that exporters who benefit from lower trade barriers abroad will counteract politically those domestic producers who do not like lower trade barriers at home. Because they want lower tariffs in other countries, these exporters will pressure trade negotiators to lower tariffs at home. That’s part of the deal. In fact, the multilateral approach has worked very well over the years. It has brought barriers to trade way down through multilateral fora like the General Agreement on Tariffs and Trade and its successor, the World Trade Organization (WTO), and is embodied in agreements like the North American Free Trade Agreement (NAFTA) and its successor, the new United States–Mexico–Canada Agreement.

## **FINANCIAL TOOLKIT**

This approach is more difficult when one country has much higher tariffs than another. For example, as Elon Musk recently pointed out, the tariff on a US car exported to China is 25 percent, while the tariff on a Chinese car exported to the United States is just 2.5 percent. Nothing much will change if the US import tariff drops from 2.5 percent to zero and China reciprocates by lowering its tariff from 25 percent to 22.5 percent.

This asymmetry is one reason the United States imposed higher tariffs on other goods from China, such as steel and aluminum. The administration



***A FAIR TRADE?: Cranes are lined up at the port of Taicang in Suzhou city, China. The Trump administration has imposed high tariffs on certain goods from China, maintaining that the tariffs will shrink or be repealed once China reduces its barriers to trade. But such moves can also lead to retaliatory tariffs or even a trade war.*** [Newscom]

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maintains that these new tariffs will shrink or be repealed once China reduces its barriers to trade. The danger in this approach is that it could lead to a trade war in which China retaliates with higher tariffs, the United States does the same, and so on. Trade wars have been frequent in the past, including in the period between World War I and World War II.

It's possible for this approach to be expanded to broader goals. Could the objectives of actual or threatened tariffs in one country go beyond lower tariffs in other countries? Could the goals include other issues such as regulatory reform, intellectual-property reform, changes in labor laws, or even military procurement issues?

These broader approaches have been tried over the years, with mixed success. For example, the Structural Impediments Initiative between the United States and Japan in the 1990s included reform of the so-called large-scale retail store law in Japan to allow large discount stores to open, which was meant to help US exports to Japan. The impact seemed to be positive—more large-scale stores opened—but with many different government agencies



involved, both in the United States and Japan, it was hard to assess whether the reason was the trade agreement.

The set of economic instruments also has expanded. For example, recent years have seen a greater use of financial sanctions, which has wrought major changes in the way economics interacts with national security.

Though few remember, the United States launched its first post-9/11 attack on terrorists along the financial front. On September 24, 2001, the George W. Bush administration announced a freeze of Al-Qaeda assets. The war on terrorist financing was multilateral from the start. An international coalition prevented terrorists from escaping a bank freeze in one country by moving to a bank in another. One hundred seventy-two countries issued freezing orders, 120 countries passed new laws, and 1,400 accounts of terrorists were frozen worldwide. A Council on Foreign Relations report said, “The general

willingness of most foreign governments to cooperate with US-led efforts to block the assets . . . has been welcome and unprecedented.”

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### ***Unilateral approaches to trade frequently don't work very well.***

Stopping the flow of financing has been one of the most important and successful economic instruments in the war against terrorism. The 9/11 Commission's report gave many Cs, Ds, and Fs, but its very top grade was an A-minus for freezing and tracking money going to terrorist activities, an operation that was timely and effective in the case of Al-Qaeda.

Financial sanctions have become essential in the fight against nuclear proliferation. In the early 2000s, measures taken by the US Treasury Department with respect to North Korean finances seemed to have an impact on Pyongyang and helped slow nuclear proliferation. Similar actions were considered for Iran. For example, the UN Security Council passed a resolution telling countries to freeze the funds of anyone supporting Iran's proliferation activities.

Historical experience shows that targeted financial actions make a difference in combating nuclear proliferation. A decade ago, the Treasury acted against a Macao bank that aided North Korea's money laundering and counterfeiting. Judging from the strong complaints from North Korea, such actions had noticeable effects on the movement of funds for its nuclear program. Financial sanctions were also used against two Iranian banks—one that funneled funds to Hezbollah and another that financed acquisition of missile technology.

An agreement to increase support for such activities would be important now. The financial war against terrorism can be waged more effectively

if both our enemies and our allies know Americans are working together. Leaders in Congress and the Trump administration can bring together their constituencies on this issue—if they want to show they can cooperate, here is a good place to begin.

## **GOOD ALLIES, GOOD TRADE**

The broadest connection between economic instruments and national security is addressed by James Ellis, James Mattis, and Kori Schake in a chapter of *Blueprint for America*, edited by George P. Shultz. They write that “economies are integral to military power. In fact, they are dispositive: no country has ever long retained its military power when its economic foundation faltered.”

Here the idea is to support allies with pro-growth international economic policy, which may be equivalent to saying “we will keep our tariffs and other trade barriers low if you remain good allies.” Stressing the need for alliances, Ellis, Mattis, and Schake argue for America to adopt a strategy that “must, foremost, be ally-friendly,” suggesting a simple guide that “those countries that are not against us are for us.” ■

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# *Let's Unmake a Deal*

**The global market was born as a partnership between developed economies and emerging markets. Now both sides are pushing for changes, some of which could harm trade, not expand it.**

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***By Raghuram G. Rajan***

**T**oward the end of the past decade, globalization—the lowering of barriers to cross-border flows of goods, services, investment, and information—came under severe pressure. Populist politicians in many countries accused others of various economic wrongs, and pushed to rewrite trade agreements. Developing countries have argued for decades that the rules governing international trade are profoundly unfair. But why are similar complaints now emanating from the developed countries that established most of those rules?

A simple but inadequate explanation is “competition.” In the 1960s and 1970s, industrialized countries focused on opening foreign markets for their goods and set the rules accordingly. Since then, the tide has turned. Emerging economies, especially China, got a lot better at producing goods; and the old rules dictate that developed countries must keep their markets open to the now-more-productive producers from elsewhere.

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*Raghuram G. Rajan is a senior fellow at the Hoover Institution and the Katherine Dusak Miller Distinguished Service Professor of Finance at the University of Chicago's Booth School.*

To a cynical observer, developed countries' current efforts to rewrite the rules look like an attempt not to level the playing field but to thwart competition. One reason why emerging-market producers are competitive is that they pay workers less (typically because those workers are less productive). Hence, the United States–Mexico–Canada Agreement (USMCA, the renegotiated NAFTA) would limit Mexico's advantage by requiring that 40–45 percent of automobile components be made by workers earning at least \$16 per hour (by 2023). It also mandates a variety of labor protections, including stronger union representation for Mexican workers, which will be monitored by US inspectors.

What looks like a good deal for Mexican workers imposed by sympathetic US negotiators could also be seen as a US effort to limit the number of manufacturing jobs in Mexico.

## CLAMORING FOR THEIR SHARE

But manufacturing jobs have been moving to emerging markets for decades, so why the heightened concern now? To replace lost manufacturing jobs, developed economies have been creating jobs in services, ranging from low-tech delivery to high-tech research and development. The implicit bargain that had governed trade was that developed countries would keep their markets open to *manufacturing* exports from the developing countries, which in turn would be open to *service* exports from the industrialized countries.

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***Over the past decades, emerging economies, especially China, got a lot better at producing goods. Developed countries cried foul.***

Unfortunately, not everyone in developed countries has been able to move to good service jobs. The best are largely in big cities, where well-educated professionals have been able to cater to global markets, while small towns in, say, the American Midwest and northern England have not recovered economically from the departure of large manufacturing employers. The devastation of such places, and the frustration of those who live in them, ultimately fueled the political movements that put President Trump in office and took the United Kingdom out of the European Union. The left-behind former manufacturing communities have a voice in the capital city now, and it wants to bring back manufacturing.

Yet this explanation, too, is incomplete. Much of the US dispute with China, for example, is not about manufacturing (China itself is losing manufacturing

jobs to countries like Vietnam). It is about services. Although eight of the top ten service exporters are developed countries, emerging-market competition is increasing—and prompting a major push by advanced-economy firms to enact new service-related trade rules. Ostensibly, this will ensure continued open borders for services. But it will also be an opportunity to protect the advantages of dominant developed-country producers. For example, USMCA mandates no duties on products purchased electronically, such as music or e-books, and ensures that Internet companies are not liable for content their users produce. It also attempted to extend the duration of patent protection for some drugs, a clause that was removed when congressional Democrats objected.

Elites in emerging markets are responding in their own way. India introduced new rules to limit what foreign-owned platforms like Amazon and Walmart could sell online there, just before Reliance, a massive Indian conglomerate, launched its own e-commerce platform.

In sum, two factors have increased the uneasiness over international trade and investment arrangements. Ordinary people



[Taylor Jones—for the *Hoover Digest*]

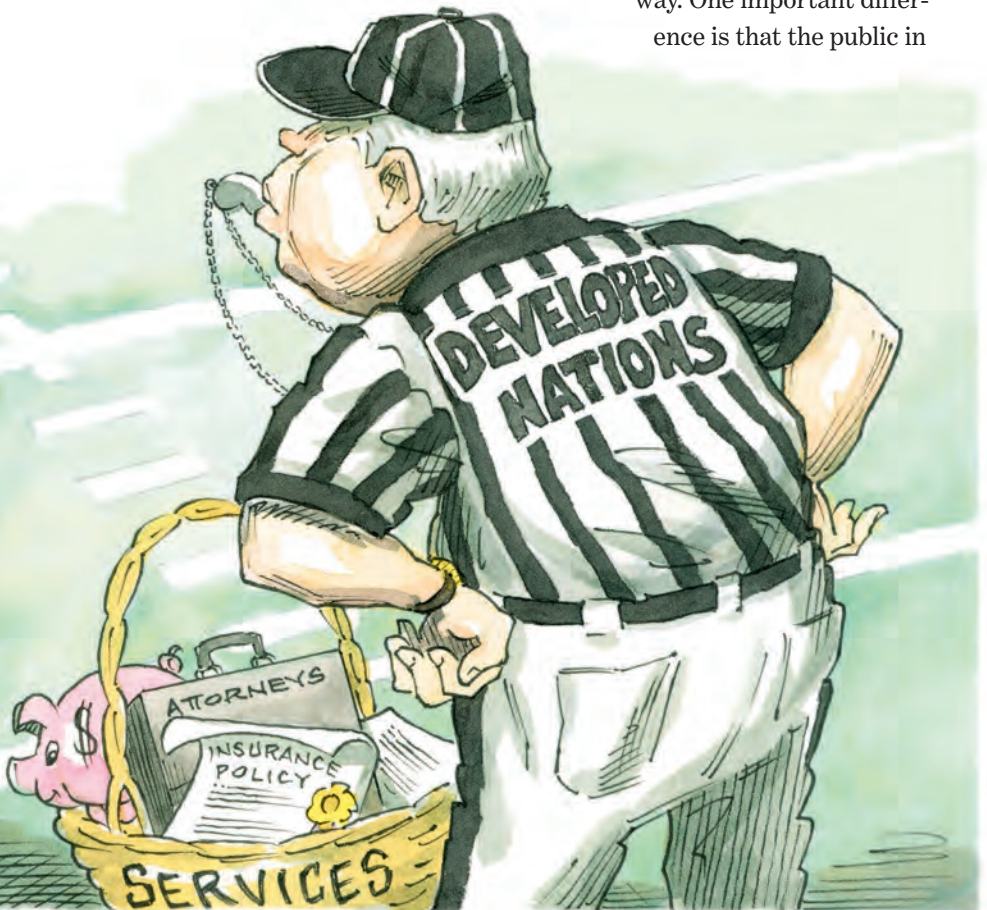


in left-behind communities in developed countries are no longer willing to accept existing arrangements. They want to be heard, and they want their interests protected. The old status quo—where developed-country elites turned a blind eye to the offshoring of manufacturing so long as markets for their services expanded—has become untenable. At the same time, emerging-economy elites want a share of the global market for services and are no longer willing to cede ground there.

## COUNTERPRODUCTIVE PRESSURE

As a result, there are no easy trade deals anymore. Trade negotiations have become exercises in power politics, not persuasion: threats of sky-high tariffs to close off markets, for example, and battering-ram tactics to force “fairer” rules on the weaker party. Veterans of trade negotiations may say

that it has always been this way. One important difference is that the public in





emerging markets is more democratically engaged than in the past. When the head of the Mexican business chamber compares USMCA's labor and monitoring provisions to the 1846–1848 Mexican-American War (when Mexico lost California), Mexican voters listen.

Therefore, any success that rich countries have in setting onerous rules for others today could prove pyrrhic. For one thing, it is unclear that there is a consensus on those rules even within developed countries. For example,

there is pressure in the United States to make online platforms responsible for content. Enshrining such contested rules in trade agreements will only make those agree-

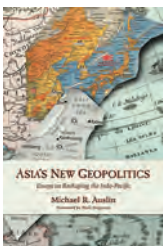
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***Ordinary people in left-behind communities in developed countries are no longer willing to accept things as they are.***

ments more fragile. Moreover, such agreements set a bad precedent. In the future, the world's dominant consumers will be the wealthier, younger, and more numerous citizens of emerging economies. Those who are now saddling weaker countries with disadvantageous arrangements should not be surprised when the favor is returned someday.

How, then, should developed countries respond to domestic pressures to make trade fairer? For starters, it is reasonable to demand that developing countries lower tariffs steadily to an internationally acceptable norm. And discriminatory nontariff barriers or subsidies that favor their producers excessively should be challenged at the World Trade Organization. But to go much beyond these measures—to attempt to impose one's preferences on unions, regulation of online platforms, and duration of patents on other countries—will further undermine the consensus for trade. Less intrusive trade agreements today may do more for trade tomorrow. ■

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# *After the Dust Settles*

**When Donald Trump leaves the political scene, conservatives will have to take a deep breath and start figuring out what they still stand for.**

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***By David Davenport***

**T**here is one view of President Trump on which you can find widespread agreement: he is the disruptor in chief. He disrupted the Republican Party to win the nomination in 2016, and, since his election, has disrupted the conventional wisdom about everything from tariffs and free trade to international organizations and what he calls “endless wars.” Whereas liberals and conservatives each had standard positions on these issues from which policy debates proceeded, Trump has disrupted the back and forth by implementing policies outside that box.

Disruption creates new opportunities, and conservatives, in particular, should be taking advantage of this chance to rethink their positions on basic policy issues. Whenever the Trump presidency ends, conservatives need to be prepared to restate and even redefine what conservatism means, a rare opportunity.

For example, are Republicans still the party of free trade, or are tariffs now the new normal? Long supporters of free markets and free trade,

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*David Davenport is a research fellow at the Hoover Institution. He is the co-author, with Gordon Lloyd, of **How Public Policy Became War** (Hoover Institution Press, 2019).*

Republicans have watched Trump impose tariffs on a number of goods (solar panels, washing machines, steel, aluminum) and launch a trade war with China through extensive tariffs on the imports of their goods. It is

unclear whether Trump sees these as temporary disruptive measures leading to renegotiations or whether regular tariffs will replace free trade.

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### ***Will Republicans return to some kind of principled resistance to the growing national debt?***

But conservatives should be debating this, irrespective of Trump.

Will they advocate a return to free trade post-Trump or something different? Inquiring minds want to know.

Conservatives have traditionally stood for a strong national defense. September 11, along with the rise of neoconservatism, set the stage for military interventions and nation-building around the world, especially in the Middle East. On the other hand, Trump has cooled on what he used to call “my generals” and has openly questioned America’s involvement in “endless wars.” To the prospect of Turkey invading Syria, Trump responded dismissively by saying, “it’s not our border.” It has been a good long while since America had a grand strategy in foreign policy, and certainly Trump offers nothing of the kind.

What will national security conservatives support when contemplating our military presence and interventions in the world? It’s a question that sorely needs to be answered.

The national debt was always a concern of conservatives, quick to point out the growth of the deficit under Barack Obama and other Democratic presidents. Trump, however, has a different view: he feels he can outrun the

deficit, that economic growth can produce more tax revenue, so he is willing to undertake tax cuts or spend on infrastructure in the hope of

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### ***Conservatives need to be prepared to restate and even redefine what conservatism means.***

generating more growth. So far, his strategy does not seem highly successful. Although he promised in the campaign that he would eliminate the deficit in eight years, instead he has presided over a nearly 50 percent increase.

Will Republicans return to some kind of principled resistance to the growing national debt, or will they give in to the tide of greater and greater deficit spending? Voters deserve a response.

The point, by now, should be clear: the Trump disruptor presidency has changed the playing field of the policy debate. Issues that were thought to be settled and positions that were once unquestioned are now up for grabs. If you believe, as I do, that ideas have consequences, then conservatives must be debating those policies now. It is time for thoughtful academics, for think tanks, and for our political leaders to go beyond the disruptions of today and think seriously about a policy future that is now ripe for reconsideration. Let the debates begin. ■

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# *How to Be a Dictator*

Hoover fellow **Frank Dikötter** on the tribe of tyrants, from Stalin to Mao. What the bad guys have in common.

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*By Tunku Varadarajan*

“**N**aked power has an expiry date,” writes Frank Dikötter. This is no doubt true. But lest you find the observation overly reassuring, remember that Joseph Stalin stayed in power for thirty-one years, Mao Zedong for twenty-seven, Benito Mussolini for twenty-three, and Adolf Hitler for a hideous twelve. So for all the apparent precariousness that can beset a strongman who seizes control of a state by thuggery or violence, the absence of genuine popular support doesn’t always result in his imminent toppling.

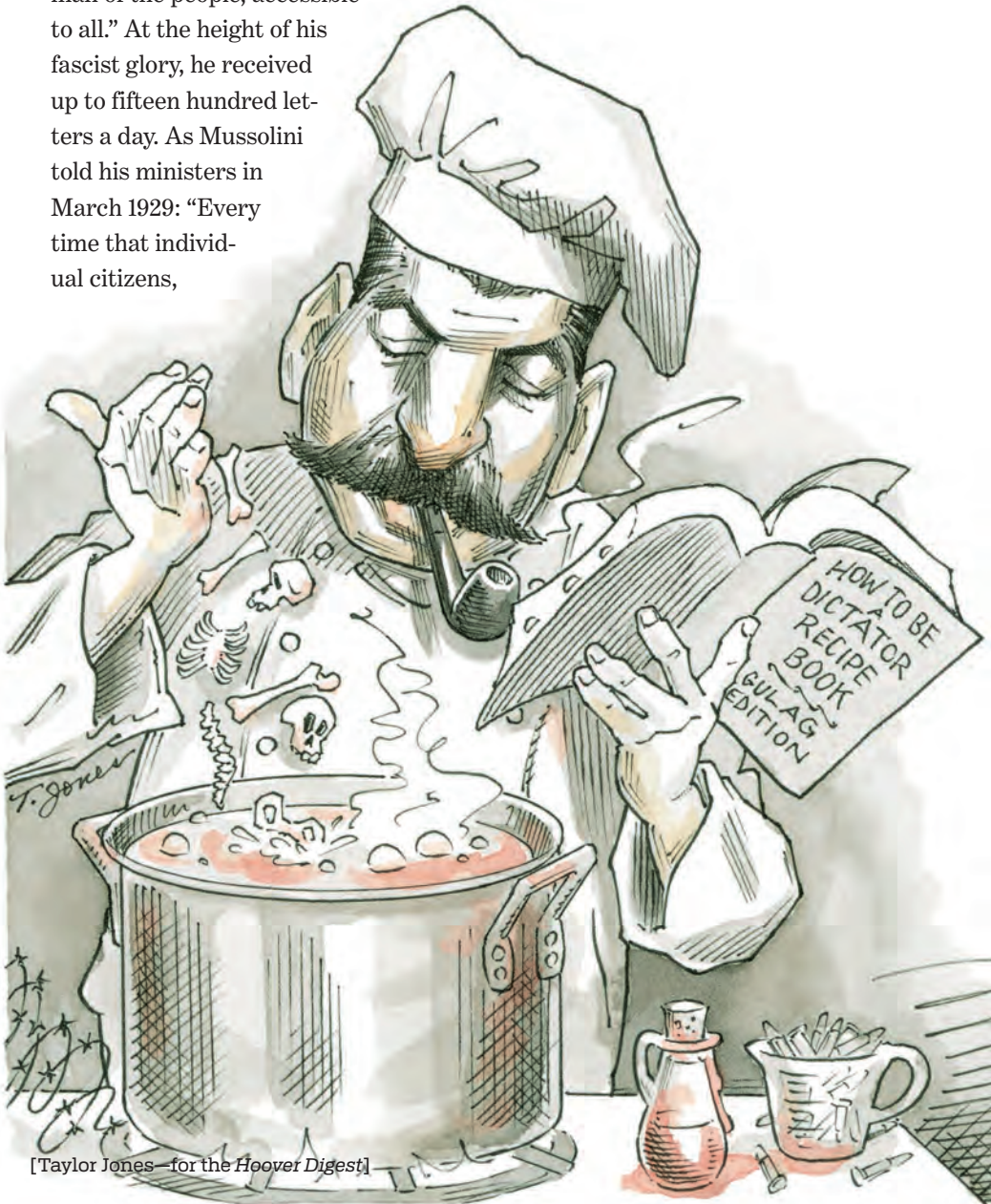
In fact, Dikötter writes in *How to Be a Dictator: The Cult of Personality in the Twentieth Century*, by relying on “military forces, secret police, a praetorian guard, spies, informants, interrogators, [and] torturers,” a tyrant can remain at the helm for decades. Yet oppression alone is seldom sufficient. There is, he explains, another ingredient to despotic longevity: “A dictator must instill

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*Frank Dikötter is a senior fellow at the Hoover Institution and chair professor of humanities at the University of Hong Kong. His latest book is **How to Be a Dictator: The Cult of Personality in the Twentieth Century** (Bloomsbury, 2019). Tunku Varadarajan is editor of the Hoover Institution publication **Defining Ideas** and a member of Hoover’s Herbert and Jane Dwight Working Group on Islamism and the International Order.*

fear in his people, but if he can compel them to acclaim him he will probably survive longer.”

The paradox of the modern dictator is that he must “create the illusion of popular support,” and the autocrats featured in this book all strove to do so in varying degrees. Mussolini, for example, “fostered the idea that he was a man of the people, accessible to all.” At the height of his fascist glory, he received up to fifteen hundred letters a day. As Mussolini told his ministers in March 1929: “Every time that individual citizens,



[Taylor Jones — for the Hoover Digest]



even from the most remote villages, have applied to me, they have received a reply.” *Il Duce* boasted that he had responded to 1,887,112 individual cases. (Imagine what he could have done with Twitter!)

## LEADERS OF THE PACK

Dikötter, a Hoover senior fellow and a professor of humanities at the University of Hong Kong, has been a peerless chronicler of the destructiveness and delusions of Maoist China. In *How to Be a Dictator*, he has applied many of the methods he used to fathom communist China to a selection of eight despots from the twentieth century. They comprise four heavy hitters or tyrannical role models—in Mussolini, Hitler, Stalin, and Mao—as well as four comparative little leaguers. These are Kim Il Sung of North Korea; François Duvalier, or Papa Doc, of Haiti; Nicolae Ceaușescu of Romania; and Mengistu Haile Mariam of Ethiopia.

Each dictator gets his own standalone chapter of about thirty pages. These are superb mini-biographies, rich in dramatic detail and analysis, and

unspool in a historical sequence, starting with Mussolini and ending with Mengistu, whose country, then known as Abyssinia, had been invaded by Mussolini’s army in 1935.

Three of the dictators—*Il*

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**“A dictator must instill fear in his people, but if he can compel them to acclaim him he will probably survive longer.”**

*Duce*, the *Führer*, and Papa Doc—are of the political right; the five others are communist, in one form or other. And while the book is erudite, its prose lives up to the promise of a lively narrative made by its crowd-pleasing title.

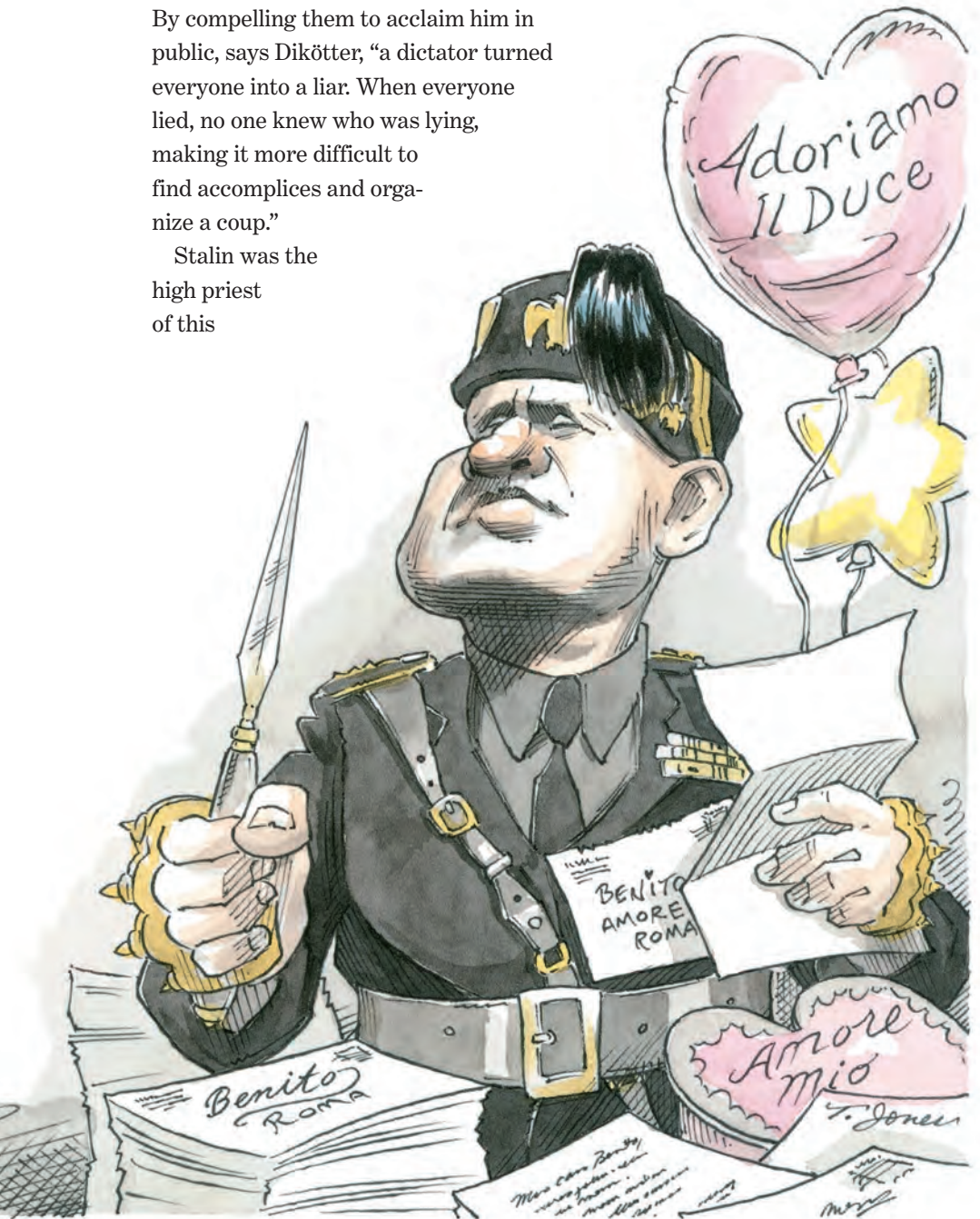
There were, Dikötter writes, “many strategies for a dictator to claw his way to power.” These included such obvious ploys as purges, manipulation of information, and a dividing of potential rivals to rule them better. But in the long run, “the cult of personality was the most efficient.” It was not enough, for instance, that Hitler be in undisputed control of Germany. He also had to be seen as a paragon. In this effort, the state republished an old Nazi Party photography book titled *The Hitler Nobody Knows*, in which he is, Dikötter writes, depicted as a man who “cultivated simple, spartan habits and worked ceaselessly towards the greater good.” Germans were told that their leader read voraciously, boasting a library of six thousand books—“all of which he has,” a caption in this book of hagio-photography said, “not just perused, but also read.”



The cult of personality was soul-destroying. It “debased allies and rivals alike, forcing them to collaborate through common subordination.”

By compelling them to acclaim him in public, says Dikötter, “a dictator turned everyone into a liar. When everyone lied, no one knew who was lying, making it more difficult to find accomplices and organize a coup.”

Stalin was the high priest of this



**PAPA DOC**



**OR  
ELSE!**

*T. Jones*



method. And Dikötter tells us that the phrase “cult of personality” is the English translation of the Russian “cult of the individual,” the literal words that Nikita Khrushchev used in 1956 when he denounced Stalin’s reign of terror in a speech to the party congress.

Stalin had died in 1953. His body was found lying on the floor of his bedroom, “soaked in his own urine.” Medical help, Dikötter tells us, was delayed “as the leader’s entourage was petrified of making the wrong call.” The tyrant, one might say, was killed by his own climate of fear.

## **AN EMBARRASSMENT OF DESPOTS**

By contrast, Mussolini and Ceaușescu were killed in acts of vengeful and ignominious violence. The latter, along with his widely hated wife, Elena, was shot in December 1989 in “a freezing courtyard next to a toilet block.” Elena, we are told, screamed an obscenity at the firing squad. All Romania rejoiced when news spread of the death of its tormentor. Ceaușescu had been in power for twenty-four

years, play acting at communism even as he ran a police state in which one in six citizens were party members. He thumbed

his nose at Moscow—for whom Romania was too peripheral and mediocre to punish, unlike Hungary or Czechoslovakia—and cozied up to China and the United States. (“He may be a commie,” President Nixon once said, “but he is our commie.”)

Also peripheral to the wider world was Duvalier. A medical doctor of modest social background, he turned Haiti into a gangster state controlled by violence and voodoo, the syncretic Afro-Catholic religion of many Haitians. Yet even he felt the need to pursue the illusion of popular acclaim, holding a referendum that would install him as president for life. “Endless parades were held,” Dikötter writes, “as thousands of people were transported to the capital to beg their leader to stay” in office. In the referendum that followed on June 14, 1964, 99.89 percent of all ballots were in his favor.

Many readers will regret Dikötter’s decision to limit his book to eight dictators, and some may question his particular choices for inclusion and exclusion. The absence of a caudillo from the Spanish-speaking world is notable, and whereas Fidel Castro may have been one communist too many for this book, the exclusion of Francisco Franco of Spain or Augusto Pinochet of Chile is a pity.

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***Romania’s Ceaușescu is an example of how potent the tyranny of mediocrity can be.***

Ceaușescu or Mengistu might have been omitted to make way for either of those two generals. The Romanian is, perhaps, more compelling than the Ethiopian, for showing us how potent the tyranny of mediocrity can be. Men-

gistu's reign was simply an acting out in Africa of the familiar Stalinist playbook. A more interesting African tyrant might have been Robert Mugabe of Zimbabwe, who offers us

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***“A dictator turned everyone into a liar.”***

greater ideological complexity as well as a depressing story of the civilized world's willingness to tolerate nasty autocrats.

But as Dikötter points out, the “list of leaders commonly regarded as modern dictators reaches well beyond a hundred.” He had to choose, and he has mostly chosen well, giving us a book of rare insight and expertise, written with humanity, verve, and unexpected flashes of humor. He tells us that, when Mao died, China's beaten-down people “knew how to cry on demand” in public. But they showed less sorrow in private. How delicious it is, and how life-affirming, to read that “in Kunming, the provincial capital of Yunnan, liquor sold out overnight” within hours of Mao's death. ■

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# Letting Go of the Mideast

**For the first time in many decades, the Middle East is no longer indispensable to America's security or economic needs.**

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**By Victor Davis Hanson**

Since World War II, the United States has been involved in a series of crises and wars in the Middle East on the premise of protecting US, Western, or global interests, or purportedly all three combined. Since antiquity, the Middle East has been the hub of three continents and of three great religions, as well as the maritime intersection between East and West.

In modern times American strategic concerns usually have been the following:

- » Guaranteeing reliable oil supplies for the US economy.
- » Ensuring that no hostile power—most notably the Soviet Union between 1946 and 1989 and local Arab or Iranian strongmen thereafter—gained control of the Middle East and used its wealth and oil power to disrupt the economies and security of the Western world, Europe in particular.
- » Preventing Islamist terrorists from carving out sanctuaries and bases of operations to attack the United States or its close allies.

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[Taylor Jones—for the Hoover Digest]

- » Helping Israel survive in a hostile neighborhood.
- » Keeping shipping lanes in the Eastern Mediterranean, the Suez Canal, and the Persian Gulf open and accessible to world commerce at the historical nexus of three continents.

To the extent we could articulate our interests, US policy was reductionist and simply deterred any other major power for any reason from dominating the quite distant region. Occasionally the United States also sought to limit or stop the endemic bloodletting of the Middle East.

Those various reasons explain why we tended to intervene in nasty places like Afghanistan, Iraq, Lebanon, Libya, and Syria. Yet despite the sometimes-humanitarian pretenses about our interventions in the Middle East, we should remember that we most certainly did not go commensurately into Central Africa or South America to prevent mass killings, genocides, or gruesome civil wars.

To what degree do strategic reasons remain for a strong US ground presence in the Middle East? And, in terms of cost-benefit analyses, how much material, human, and psychic US investment is necessary to protect our interests to the extent they still matter in the region?

These questions cannot be answered easily. They are the topics of constant discussions among US planners. That said, our old strategic reasons do not necessarily still apply.

## **FREED FROM THE YOKE OF OIL**

The United States does not need Middle East natural gas or oil. Europe does. China does even more.

Certainly, it may be in the larger economic interests of America to keep moderately priced oil flowing from the Middle East. But disruptions, cartels, and embargoes



do not matter to the United States to the degree they did during the past half-century.

This reality is especially germane when the European Union, larger and nearly as rich as the United States, simply will not provide for its own security, despite its proximity to the region and its dependence upon it. China likewise freeloads on the US Navy's deterrent presence in waters off the Middle East. These new realities do not necessarily mean the United States

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***The United States does not need Middle East natural gas or oil. Europe and China do.***

should vacate the region entirely, only that we should be far less likely to intervene when others have far more at stake.

Given the size, complexity, factions, and violence of the Middle East, all outside would-be hegemonies have had a difficult time consolidating power there. The Soviet Union failed. It is no exaggeration to state that nearly every foreign power that has had a base in the region was eventually kicked out of it—with the exception so far of the United States in the Gulf. Contemporary Russia does not have the resources to control the region and can only agitate and offend others rather than consolidate a lucrative position. China's Belt and Road Initiative in the Middle East, an extravagant neo-imperial global project, will, if it follows the paradigm in Africa and elsewhere in the Mediterranean, likely not pencil out. Besides, with a million Muslims in Chinese re-education camps, Beijing may eventually become as unpopular in Arab capitals as Moscow was during the Cold War.

The Iranians, Saddam Hussein, and earlier Pan-Arab messianic leaders all eventually failed in consolidating the Middle East to bully the larger world. And it remains difficult for Russia, Iran, or Turkey to acquire greater global influence by carving out localized hegemonies in the Middle East.

Thus it may not be so imperative for the United States to intervene on the rationale that if we don't, others will. Intervening in Afghanistan, Iraq, Lebanon, Libya, and Syria presents more costs than benefits. Any success in weeding out terrorist enclaves or removing violent forces is outweighed by often costly human and material investments, subsequent problems with immigration and refugees, and almost no reciprocity or even gratitude from the parties who supposedly benefit from American humanitarian or military assistance.

Israel is wealthier, larger, and more secure than at any period in its past. Three recent developments—fossil fuel self-sufficiency, new anti-Iranian alliances with its former enemies in the Arab world, and global weariness

with the perpetual victimization claims of the Palestinians—have given Israel new confidence and new options. Israel’s nuclear deterrence can guarantee its survival against Islamist enemies, and in the post–Cold War era it faces few threats from a nuclear Russia or China. The United States can continue to sell and give military assistance to Israel and maintain our close alliance, while refraining from intervening in the region.

World commerce long has been shifting to the Pacific. The Mediterranean, Indian Ocean, and Persian Gulf will remain vital to world commerce but will not be as critical as in the past. Worries about China’s acquisition of long-term port leases in the Middle East seem misplaced; Beijing is doing the same at key harbors in Europe. As for concerns about Russia, it is hard to know exactly what Vladimir Putin is getting out of his Syrian quagmire other than global attention and a desire to play Soviet-style lord among murderous clients.

In sum, for now a strong naval presence, plus US air bases in the Eastern Mediterranean and Gulf states, is keeping the peace, at least as the United States envisions keeping the peace. Some ground troops protect those assets. But the idea that Washington will ever send a huge expeditionary army to the Middle East increasingly seems absurd.

## **DISILLUSIONED AND ANGRY**

Finally, there are the much neglected but powerful emotional and human factors.

We hear continually that the Arab, or the Iranian, or the Muslim world at large does not like the West in general and the United States in particular. For some sixty years, American television screens have blared out images of crowds of screaming fanatics with signs communicating hatred of America—many of whom, when emotions subside, are otherwise eager to claim some sort of fast-track victim or refugee status to get into the country they say they despise.

But emotions that drive policies flow both ways. Middle Easterners ignore that three generations of Americans have become exhausted by their antics in the Middle East, by the Iranian hostage debacle, by 9/11, by the oil embargos, by the anti-Semitic hatred of Israel, by the costly interventions, and by the hysterics that seem to characterize the region. Americans don’t see why any of their children should be killed or maimed there.

When people say Americans are tired of “endless wars,” the subtext is that we are mostly sick of the Middle East. We don’t necessarily see any benefit from welcoming tens of thousands of refugees from the region, many of whom do not always seem to appreciate Western religious diversity,



ecumenical traditions, and multiracial and gender equality—and will likely upon arrival lodge complaints against the United States for some -ism or -ology that they have levered from the therapeutic American left. Europe's immigration policies are the canaries in the Western mine. Few of the eight hundred million in Europe and the United States privately believe that Europe is richer, more secure, and more enlightened by welcoming in millions of Middle Easterners who seems to resent their hosts and equate assimilation and integration with cultural betrayal. The result is that there is almost no public support for any action in the Middle East unless it is directly tied to protecting Americans or making sure the region's endemic pathologies do not boil over to harm America and its interests.

All these considerations are no doubt known to the Trump administration. One refrain of President Trump's support among the deplorables and irredeemables was a desire to end "endless wars" abroad. He has probably learned that neither isolationism nor interventionism ensures American security and is trying to craft the middle ground of principled realism, or "don't tread on me" nationalism. The administration seems intent on avoiding the appeasement of President Obama and also the interventionism of the Bush years. So far, it has managed to help destroy ISIS without getting into a shooting war with Turkey over the Kurds or knee-deep in the quagmires of Syria. The administration wants to find a way out of both Iraq and Afghanistan that does not destroy US deterrence, a quest that ultimately depends on how we define deterrence, both regionally and globally.

In short, the United States is trying to remain strong and deter dangerous elements, but to do so for US interests—interests that seem to be fewer and fewer in the Middle East.

One might ask: what exactly is the Middle East in the middle of anymore? ■

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# *Lives in the Balance*

**Imbalance, the historical curse of the Israeli-Palestinian conflict, also affords the clash a certain stability. What we can learn from the motif of sustained crisis.**

**By Charles Hill**

**B**alance is one of the innate concepts of the human condition, vital but never entirely attainable. Aristotle concludes his *Politics* with the imperative in every society of seeking a balance between the male “Dorian” and female “Phrygian” modes—not necessarily gendered but a human necessity all the same. Balance in baseball is a goal; the American League’s long streak of victories over the National League in the All-Star Games is concerning to the keepers of the sport. And, most obviously, the

## **Key points**

» After the 1967 Six-Day War, a peace process was built upon a hoped-for “balance”: territory would be exchanged for peace. But that balance was stillborn.

» Arab radicalization descended into what would be called Islamization, a step even further from balance.

» Creating an actual state of Palestine would approach a state of balance with Israel. This, sadly, will not happen.

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balance-of-power doctrine in matters of war and diplomacy is as old as these arts themselves.

While balance is a universal factor, each region has its own versions. In the Middle East, male and female appear far out of balance. Sunni and Shia Islam were unbalanced for centuries; a struggle about that has been under way since the relatively recent “Shia rise.” Ethnic and religious imbalances are evident, for example, between Turks and Kurds, and between the Tel Aviv beach and the Jerusalem Wall.

In the Israeli-Palestinian conflict, balance has been critical but not widely recognized by observers. It has structured or deconstructed the contest over more than fifty years. First, before the Palestinian dimension came to the fore, was “the Arab-Israeli conflict.” The Arab world’s geographic, demographic, and international political and military weight loomed heavily over the small Jewish state. But the series of wars waged by armies of the Arab regimes shifted that imbalance sharply as Israel’s military capabilities began to match those of its adversaries in their entirety.

In the aftermath of the 1967 Six-Day War, a peace process was devised on a “balance” drafted in United Nations Security Council Resolution 242: Israel would cede territories taken in war in return for peace from the Arabs; a geographical reality was proposed in return for an abstract promise. Beyond this, it soon became obvious that the cultures and entrenched negotiating strategies of the two sides were unalterably at odds. The Arabs insisted that every aspect of the conflict be agreed all at once by all relevant parties, ideally at a huge international conference. To do anything less would besmirch Arab honor and be unacceptable to the Arab nation as a whole.

Israelis recognized this as a lopsided approach that would overwhelm their interests entirely. Instead, they insisted on the opposite: a step-by-step process in which agreement on one relatively easy issue could build confidence on both sides to move on to harder problems on a mutual agenda. This was the way that the state of Israel had been achieved: “goat by goat, dunam by dunam.”

## **WHERE INTERESTS DIVERGED**

The genius of the Camp David Accords overseen by President Carter was to put the two out-of-balance negotiating strategies together at two levels in the same agreed document. Israel and Egypt, two legitimate states in the modern international system, would negotiate a peace treaty with each other in a balanced context. At the same time, the state of Egypt would negotiate with the state of Israel on behalf of the Palestinians, who were not a state but



***UNCHANGING VIEW: A girl looks out from her house in the Gaza Strip. Soon after the Six-Day War of 1967, it became clear that the cultures and entrenched negotiating strategies of the Arabs and the Israelis were unalterably at odds. Now the two sides are fundamentally comfortable with the status quo.*** [Yasser Qudih—Xinhua]

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potentially could become one through this process. This was based upon an understanding that negotiations between Israel as a state and the Palestinians, who were not one, would be too unbalanced to go anywhere.

That imbalance had been magnified by a momentous but silent and informal de facto decision by Arab state regimes that they would wage no more wars against Israel on behalf of the Palestinians. Arab armies had lost those wars and were determined not to go there again. Instead, the Palestinians, who had been in the larger Arab strategy, would now be outside it, supported by Arab regimes to arm, train, and politically “fight” for a Palestine, but not in a unified concept of direct warfare. The silent Arab regime message was, “We’re with you in this struggle all the way to the last Palestinian.”

Under Yasser Arafat, the Palestine Liberation Organization welcomed this as putting all political decision power in their hands. In reality and retrospect, this could be seen as a betrayal of the Palestinian cause by the “outside” Arab states. With no more conventional military power on their side,

the Palestinians turned to guerrilla and terror tactics; no more real warfighting, only “intifadas.” The result was defeat after defeat.

The Arab regimes used this shift to their own internal advantage. Now they could channel their own populations’ anger and energies entirely against Israel and Israel’s main backer, the United States, while distracting them from efforts to oppose their own mismanaged governments. Such a shift did much to deepen Arab radicalization into what would be called Islamization, a virulent set of movements that eventually would turn on the Arab regimes which had helped create them. The first major event in this intra-Arab antagonism came in the 1981 assassination of President Sadat by jihadists; it would continue in the form of death threats by Islamist radicals against anyone on the Arab or Palestinian side who would consider any step to engage Israel under the so-called peace process.

The murder of Sadat quickly brought an end to the Camp David effort. Egypt dropped out of its role as the Arab state negotiator with Israel on behalf of the Palestinians. King Hussein briefly took up the Arab state role, but under threat soon pulled Jordan away from the process. Since then, despite several serious ad

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***After Arab state armies lost their wars against Israel, the Palestinians, who had been inside the larger Arab strategy, were now outside it.***

hoc efforts to make headway, none has been made. The hope for a negotiated “two-state solution” between the two parties with larger Arab and international recognition and guarantees is farther off than ever. No balance means no progress.

## **NO INCENTIVE, NO PEACE**

How could a balance be created and basically maintained? The only way would be to produce a state partner to negotiate state-to-state with Israel. A state can be held to its decisions and, through its statehood aspirations and integrity, take on responsibilities that nonstate actors can easily ignore. A state of Palestine, agreed up front, would transform the area, regional, and international context. With such a decision, all other issues between Israel and Palestine would remain to be directly negotiated, with one exception, also needed to restore balance: the Palestinian side would have to give up, in principle, its claim to the right of return; the Israeli side would give up, in principle, its claim to the right of settlement. This is the fundamental trade-off between the two parties, but it has been kept deeply out of balance

because of international pressure on Israel to concede its right without pressure on the Palestinians to match such a concession. With these two major decisions, a balance could enhance the possibility of positive negotiating outcomes on all other issues.

This, of course, will not happen. The reason is simple. The two sides are fundamentally comfortable with the situation as it is; no imaginable change, in this view, could produce an outcome with fewer attendant risks than this unique form of a status quo. Each side now gets immense inter-

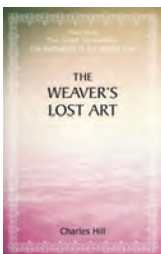
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***The balance-of-power doctrine in matters of war and diplomacy is as old as these arts themselves.***

national, near-center-stage attention. Each gets political, material, and moral support from a fairly reliable collection of outside sources, private, governmental, international, and individual. Above all, each side gets leverage over all these factors and more from the ongoing presence of an active front in the conflict, primarily on the Gaza-Israel border. This creates a worldwide impression of ongoing war without the worst impacts of such a war; damage and deaths will take place, but on a limited scale that each side can manage. And all this with the added advantage of efforts by the international community to implore the two parties to avoid escalation.

On this basis, the conflict as it is presents good reasons for continuing to be played this way for the foreseeable future. Indeed, and ironically, these similar perceptions about a useful continuation of the currently limited confrontation have created an inverted form of “balance.” ■

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# Getting Iran to the Table

Hoover fellow **Abraham D. Sofaer** lays out a way to make progress even with an intractable, violent nation like the Islamic Republic.

**By Jonathan Movroydis**

**Jonathan Movroydis:** How long have you been following Qasem Soleimani?

**Abraham D. Sofaer:** Ever since US forces displaced Saddam Hussein in 2003 in Iraq. I had heard of Soleimani before, but I was stunned to learn that he was supplying armor-piercing rockets to the Shiite militias in Iraq. These rockets were killing many American soldiers. American policy

## Key points

- » Over the years, Iran grew emboldened by US hesitancy.
- » Iran's influence in Iraq increased enormously, via Shiite militias and the Iraqi government. Tehran is also active in Syria and Yemen.
- » Washington must show Iran that aggression, killings, and interventions are a dead end.
- » America must talk with the Iranians across the entire spectrum of each other's interests.

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makers—Republicans and Democrats alike—were doing nothing to offset the impact of Soleimani and the actions of the Islamic Revolutionary Guard Corps (IRGC). I followed Soleimani from then on because it was very clear to me that he was in charge of the effort under Iran’s constitution to essentially take control of the Shiite crescent in the Middle East—several countries included. He was doing very well in this project because we kept finding reasons not to stop him.

**Movroydis:** What is the size and scope of the IRGC, and what is the nature of their operations?

**Sofaer:** The IRGC has expanded over the years, so it is difficult to know how large they are now. They started off as a parallel military and internal national security operation. They were tasked with implementing the Iranian objective of spreading Shiite Islam throughout the world and attacking Iran’s enemies. These enemies were mainly Iranians who had left Iran because of the 1979 revolution and oppose the regime. The IRGC were so successful over the years that they expanded their influence from being a parallel and relatively small operation overseas to actually becoming bigger and more important than the regular Iranian military.

The Basij Force, which is the force within the IRGC that does the domestic work in keeping the revolution “pure,” has taken over important aspects of internal national security in Iran and is charged with enforcing morality. This includes enforcement of modest dress of women, prosecution of blasphemy against Islam, and securing proper public behavior, especially on university campuses.

I see an immediate and direct correlation between the IRGC’s growth and its success. The more the IRGC proves to Ayatollah Khamenei that they have the right ideas and solutions, and that the United States would not respond to their

actions either because it was cowardly or it wasn’t willing to have another war, the more influential the IRGC has become. When they

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***“Iran has consistently acted more aggressively in the face of weakness, and more cautiously and defensively in the face of strength.”***

bombed the Khobar Towers in Saudi Arabia in 1996, President Clinton didn’t respond with force or even sanctions because he thought that by not responding he could relate better with then–prime minister Mohammad Khatami. Internally, the IRGC must have told the ayatollah: “We don’t need



Khatami at all. Our policy should be to kill our enemies and increase our influence.”

And where have they increased their influence? If you stop to think about it, it is amazing how successful they have been. Their early support for Hezbollah, once a small force in Lebanon, has resulted in Hezbollah not only having a veto power over the Lebanese government but essentially being the most powerful military force in the country.

The United States was right in removing Saddam Hussein in Iraq but wrong in thinking that democracy would necessarily flourish, as opposed to

Shiism. Iran’s influence in Iraq increased enormously, not only through Shiite militias but in the Iraqi government, which currently is calling on the United States to remove what remains of its military forces.

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***Soleimani “was in charge of the effort under Iran’s constitution to essentially take control of the Shiite crescent in the Middle East—several countries included.”***

Syria is sympathetic to (and now allied with) Iran because the Assad regime has received support from Iran for many years. Bashar al-Assad—in his support for Hezbollah—has helped extend Iran’s influence through Syria to Lebanon. When the rebels in Syria threatened the Assad regime, Iran joined with the Russians to turn the tide in Assad’s favor, while the United States did nothing. Thus, Iran continues to have enormous influence in Syria. The Iranians are threatening to stay in Syria in a major way, particularly along the border with Israel.

Another piece of the Shiite crescent that Iran has supported is the Houthi rebels in Yemen. The Houthis overthrew an elected government in 2015. If not for the Saudis, all of Yemen would be in the hands of an Iranian ally.

Iran’s efforts remain serious. It hopes to empower the Shiite minority in Saudi Arabia and outright attacked the Aramco oil complex in the eastern city of Abqaiq last September. If Iran has its way, other regimes will potentially be undermined unless the United States acts. Iran is particularly active in attempting to undermine the pro-US government in Bahrain, a Shia-majority country.

***Movroydis:*** What is Iran’s ultimate objective?

***Sofaer:*** Iran’s ultimate objective is to spread the word about their interpretation of Shiite Islam and to substitute its concepts of law, order, and morality

in place of those developed in the Western world, which include state sovereignty, international law, and limitations on use of force across borders. Iran is a very grave threat to the civilized order as we know it.

Before taking out Soleimani, the United States had not physically attacked an Iranian target since 1986–88, when US forces retaliated against the IRGC for mining the Persian Gulf and launching missiles at US Navy vessels. The American response then was eminently successful, driving the Iranians away from their bases in the Gulf and destroying much of the IRGC navy. Iran did not act against the United States any further by mining the Gulf or firing missiles. However, Iran subsequently started incrementally misbehaving in the Gulf in a way that threatens regional peace and security. At one point, the IRGC navy seized a British navy vessel and held it for a few days. The British were impelled to act because they didn't want to be seen as capitulating to Iran's misconduct. Iran ultimately released the British sailors, but this wasn't a great moment for the United Kingdom or the United States.

US policy on the IRGC has generally been about nonconfrontation. This is a big mistake. When the rules of engagement are so respectful of peace and security to a point where we are telling the enemy that they can do almost anything short of actually attacking before we retaliate, they will keep pushing the envelope.

The Soleimani strike was the first time since the US use of force in the Gulf that the United States had deliberately attacked an Iranian target. The United States has never physically attacked a target on Iranian soil—though it is alleged that, in cooperation with Israel, it committed a successful cyber-attack in the form of the Stuxnet virus against Iran's Natanz enrichment plant in 2013.

There still appears to be an understanding within the US national security community (and that of Israel) that the United States and Israel won't physically attack

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***“I wouldn't be surprised if the Iranians were more open to genuine, constructive engagement than they were before the strike on Soleimani.”***

targets within Iran. This gives the regime a lot of comfort in knowing it will be able to attack US (and Israeli) targets with relative impunity, particularly by surrogates. This policy may be changing, at least for the United States, because the Trump administration has made it clear that if you send a general to plan new attacks on Americans—and if he is foolish enough to find himself at the Baghdad airport to plan such attacks—US forces may actually

act. That is a step in the right direction, but not enough to take on the IRGC effectively.

**Movroydis:** Why haven't US policy makers acted until now against IRGC forces?

**Sofaer:** We have been dumb, ignorant, and weak. You could find a whole host of reasons. People who don't know how to use power effectively would characterize it as cautious and deliberate. These people don't know Iran. They don't know that Iran has consistently acted more aggressively in the face of weakness, and more cautiously and defensively in the face of strength. If you don't learn from the many examples of these facts, you are not capable of learning. It is inexcusable.

Since 1979, the United States has consistently failed to act with strength and effective diplomacy toward Iran. The Reagan administration—though brilliant in its diplomacy with the Soviet Union—was guilty of the Iran-Contra affair, one of the most humiliating and absurd events in the history of American foreign policy.

President George H. W. Bush was effective as commander in chief when US forces liberated Kuwait from the Iraqi army in 1991. In response to this

display of American strength, Iran's leadership accepted a deal with Bush and helped secure the release of all the Western hostages held in Lebanon. However, the

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***“We need to show that aggression, cross-border killings, interventions, and the ICBM program are harmful policies for Iran.”***

president, perhaps because he was coming up on an election year, never followed through on engagement with Iran by responding to its “goodwill” with “goodwill.” It was a missed opportunity, after a clear signal that American strength had so impressed Iran's leadership that they were willing to come to the table.

After the US invasion of Afghanistan in 2001, the Iranians cooperated with the George W. Bush administration on the formation of a new government in Kabul under the Bonn Agreement in December of that year. During the discussions, Iranian diplomats engaged the US ambassador, Jim Dobbins, requesting bilateral talks on issues beyond Afghanistan. The reason the Iranians were willing to talk was that America had shown strength in Central Asia, and they were concerned about how to effectively deal with a strong America. In this case, the United States

rejected that initiative, and perhaps another opportunity at constructive engagement.

Today, I wouldn't be surprised if the Iranians were more open to genuine, constructive engagement than they were before the strike on Soleimani.

**Movroydis:** How does taking on the IRGC complement constructive engagement with Iran over its nuclear program?

**Sofaer:** It is all important. It is what we have to do. Taking on Iran is taking on the IRGC. The United States needs to demonstrate to the ayatollah and the other influential segments of the Iranian population and government that the IRGC way is going to be a dead end. We need to show that aggression, cross-border killings, interventions, and the intercontinental ballistic missile program are harmful

policies for Iran. If we can't demonstrate that they are harmful, then Iran will continue using those instruments of

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***“You are not able to engage a regime and at the same time tell them you want them to go away.”***

power. In negotiations, taking on Iran means getting its leaders to the table in a meaningful way. The terms should allow for a discussion on all aspects of the relationships between Iran and the United States, and Iran and the rest of the world.

**Movroydis:** What kind of agreement would benefit all parties involved?

**Sofaer:** Secretary of State Pompeo issued a multipoint set of conditions on which the United States would negotiate with Iran. Announcing preconditions is not the way you should negotiate, but Pompeo's list is sound and reflects the kind of issues we are interested in. You don't negotiate with another state by saying, “I will sit down with you if you agree to all the things I want to achieve in the negotiation.” That is an insult. You still have to engage with a country like Iran just like we had to engage with the Soviets. It is only through negotiation that you can achieve these things.

I think Secretary Pompeo's list is very good. Clearly, we want not just a commitment in the Non-Proliferation Treaty [NPT] but a commitment that Iran will demonstrably not attempt to get a nuclear weapon, ever. Not just for ten years, not just for fifteen years, but ever! You have to confront them, you have to say to them, “If you were willing to agree to the NPT, just take the words from the original NPT and put it in a new agreement that says that you will never attempt to secure a nuclear weapon, and that you will

never enrich uranium beyond a certain percentage, because you don't need to."

Why does Iran need ICBMs? Not for any defensive purpose. The United States won't attack Iran, unless in self-defense. Iran certainly knows that, in my view.

Beyond the missiles, we need to talk about other issues of great importance relating to intervention in foreign countries and acts of terror that Iran either engages in or supports. Its support for Hezbollah has to be curbed, as does its backing of Hamas in Gaza—a Sunni organization with whom it has created an alliance of convenience based on common anti-Israel sentiment.

Iran has to recognize Israel is a sovereign state and must stop threatening its existence. Conversely, Israel must be willing to engage and settle claims with Iran.

Once we have Iran's attention and its willingness to engage with us, then we have to talk with the Iranians across the entire spectrum of each other's interests. If you win a confrontation and get someone to the negotiating table,

you have to talk about their interests, not just yours. That is the nature of a negotiation. Iran does have commercial interests, they do want a

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***“You still have to engage with a country like Iran just like we had to engage with the Soviets.”***

successful economy. There is no harm in seeing a successful Iran.

I don't think we need to talk about regime change. You are not able to engage a regime and at the same time tell them you want them to go away. If the regime changes, then so be it. In the Soviet Union's case, regime change was a gradual process because of a consistent policy of strength and engagement. Eventually, Soviet leaders realized their system wasn't working. This is the best way to bring about regime change, because war is avoided. I think if the IRGC's influence were diminished significantly, there would be a major change in Iran's policies.

**Movroydis:** In your expert opinion, was the Soleimani strike legally sound?

**Sofaer:** Absolutely. I saw no reason whatsoever for US government lawyers to issue statements to try to bring the attack on Soleimani within the traditional and inapplicable standards of self-defense. It is true that when talking about a confrontation between two conventional military forces, there needs to be a degree of imminence to justify an act of self-defense. However, it has been shown over the past twenty years that there is a legal basis for

self-defense against a party who has a record of actions of an informal nature, such as committing terrorist attacks or supplying materials to terrorist groups, because there isn't always sufficient information available indicating when the next attack will take place.

In the case of Soleimani, the United States did not know exactly what he was planning with Iraqi militia groups or when their plans would be implemented. What we did know was that Soleimani was planning something evil, because that is what he had done for decades. We don't have to wait when a secret attack is being planned by an established aggressor.

The use of the word "imminent" was unnecessary. This was a legitimate act of self-defense, as self-defense has historically been understood. That is, it was a "reasonable use of force." ■

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# Who's Afraid of Cyberwar?

**Tehran often threatens to unleash cyberwarfare against the United States. Its hacking skills may be worrisome, but they're no match for military might.**

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**By Jacquelyn Schneider**

In the aftermath of the US assassination of Iranian general Qasem Soleimani, commander of the Islamic Revolutionary Guard Corps' Quds Force, the Department of Homeland Security warned: "Iran maintains a robust cyber program and can execute cyberattacks against the United States. Iran is capable, at a minimum, of carrying out attacks with temporary disruptive effects against critical infrastructure in the United States."

The warning came amid alarming reports about Iranian cyber capabilities.

Iran has a history of using cyberattacks against financial systems, oil companies, and US dams. Furthermore, the United States and Iran have engaged in cyberattacks before and throughout the Soleimani crisis. However, research suggests that the consequences of cyberattacks are more complicated than these warnings might suggest. Here's what you need to know.

» **Cyber is a poor substitute for other forms of violence.** The first way cyberattacks can be used is for direct offense. Here, people often think of cyberattacks as a possible substitute for other more conventional weapons of warfare (such as airstrikes or missile attacks). However, there

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***BYTE THE BULLET: A man talks on his phone as he walks past a political mural at Palestine Square in Tehran. Iran's high-tech attacks have targeted financial systems, oil companies, and dams, but experts say these are uncertain weapons.*** [Rouzbeh Fouladi/ZUMA Press]

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is no historical evidence of cyberattacks leading to immediate and extensive physical casualties (civilian or military). It turns out that it is hard to use cyberattacks to achieve physical consequences, much less serious physical harm. The damage that cyberattacks can do is more subtle and long term than, say, a missile strike. Furthermore, it is difficult to predict how much damage a cyberattack will do. In short, cyberattacks are typically more difficult to carry out and less useful than more conventional attacks, such as missile attacks, drone or manned airstrikes, or naval engagements.

» **Cyber operations are not good deterrents.** The second possible use of cyber operations is as a deterrent against further escalation. Here, the idea is that the threat of cyber retaliation might deter others from attacking. For example, last June the Trump administration threatened cyberattacks against critical infrastructure in Iran as a way to deter further Iranian escalation after a drone and missile strike on a Saudi oil facility.

Evidence from war games and US decision-making discussions suggests that the United States has been restrained in its cyber operations because it fears starting a tit-for-tat series of retaliations that might end up hurting the United States overall. However, there is no publicly available evidence that cyber operations have successfully deterred physical attacks (for example,

missiles and airstrikes) by either the United States or Iran. Academic research suggests that the characteristics that make cyber operations unique (they

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***Iran has a history of cyberattacks against financial systems, oil companies, and dams.***

are virtual in nature, covert, and often reversible) mean that they are poorly suited for deterrence. Virtual attacks have less tangible consequences, and covert actions are less likely to deter, precisely because they are unknown.

» **Cyber operations can provide influence and intelligence.** Cyber operations aren't very good at delivering violence or deterrence. What they can do is to gather intelligence and spread influence. Iran is not as good as Russia at gathering information via hacking. However, it does have a history of attempting to influence regional populations and in stoking anti-US sentiment. Further, the United States has said publicly that it uses "defend forward" cyber operations—counterforce—to make it harder for the Islamic State to use cyber operations for intelligence and influence. US and Iranian information-gathering and influence operations may not be violent or create immediate physical effects. However, they may affect the willingness of domestic constituencies (in both countries) to support further escalation of the crisis.

» **The real dangers are subtle.** The real danger of cyber operations is not that they will create the same kind of violent effects as an airstrike or missile strike. Instead, they can have short-term consequences if they slow down and

confuse militaries, making it harder for them to carry out their missions. Daily attacks and probes can also be an irritant and a distraction, drawing

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***It turns out it's hard to use cyberattacks to achieve physical consequences.***

attention and resources away from more serious challenges and increasing the fog of war. This can help equalize the balance between more powerful digitally dependent militaries (like the US armed forces) and weaker, less digitally dependent states such as Iran.

There are also possible long-term costs to cyberattacks. Even when they are aimed at soft economic targets rather than important military systems, it is costly for businesses to defend against, respond to, and survive cyberattacks. More broadly, there are long-term risks if key infrastructures, such as financial systems and elections, are degraded.

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***Covert actions are less likely to deter, precisely because they are unknown.***

Cyberattacks are not likely to have devastating short-term consequences, but they can gradually erode the foundations of social, political, and economic stability over time. ■

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# *The Cult of Climatism*

**The religion of global warming preaches doom and punishment, even as its own high priests hedge their bets. Meanwhile, its fearful, furious dogmas make a cooperative response to climate change all but impossible.**

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*By Josef Joffe*

**G**reta Thunberg, the teenager from Stockholm, is the prophet of a new religion sweeping the West. Call it *Climatism*. Like any religion worthy of the name, it comes with its own catechism (what to believe) and eschatology (how the world will end). Thunberg's bible is the latest report of the Intergovernmental Panel on Climate Change (IPCC), which gives us twelve years to save civilization as we know it.

We have prayed to the false gods of fossil-fired growth, runs Thunberg's jeremiad. Guilty are the adults who have "lied to us" and given us "false hope." But her children's crusade—no-school "Fridays for Future"—will show the path to redemption.

By the time September 20 arrived last year, she had managed to organize worldwide protest marches. From New York to Nairobi, from Asia to

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Australia, tens of thousands thronged the squares and streets of their cities, chanting: “You had a future, and so should we!”

Greta Thunberg did not come out of nowhere, of course. All new religions emerge from competing sects, as Jesus did in Jerusalem and Muhammad in the Arabian Hejaz. Why did she succeed so quickly, virtually in a space of months? An “innocent child,” muses Gerard Baker in the *Wall Street Journal*, “is an inspiring story that is very effective in offering role models and propagating the faith.” A guileless demeanor trumps reams of data and multiple regressions churned out by the IPCC. But it also helps that Greta has a flawless PR machine running in the background at all times.

### LET US PRAY . . . OUTDOORS

Environmentalism is not a new thing under the sun. It has a long tradition going back to the Sierra Club, founded in 1892 for purposes both secular and wholesome. Among the club’s feats are wondrous national parks such as Yosemite and Yellowstone. But I first noticed the credal nature of the movement twelve years ago, when the Gaia Hotel in the Napa Valley ditched the Gideon Bible in favor of Al Gore’s *An Inconvenient Truth*. (The hotel developer backpedaled, insisting that the staff had forgotten to provide Bibles in their haste before the grand opening. Afterwards, Bibles went into the nightstands.)

Eclipsed by Thunberg, Gore is nonetheless still in the prophecy business. Writing in the *New York Times* last September, he doubled down on doom. “More destructive Category 5 hurricanes are developing,” he wrote. “Monster fires ignite and burn on every continent but Antarctica, ice is melting in large amounts there and in Greenland, and accelerating sea-level rise now threatens low-lying cities and island nations.”

For the believers, the debate is closed, and exhortation has segued into excommunication. No more catty humor, like that on display in the unforgettable bumper sticker from the 1970s: “Save the Planet! Kill yourself!” Those who reject the faith are “climate-change deniers,” as in “denying the Father and the Son” (1 John 2:23). Relate Climatism to Judeo-Christianity, and the psycho-structural analogies abound.

First, you need a prophet like Isaiah who rains damnation on the wayward. “Woe to a people whose guilt is great, a brood of evildoers! They have forsaken the Lord and turned their back on him” (Isaiah 1:4). Greta, and Gore before her, replicates the language of the good book. Today, penitence demands renouncing the obscene material pleasures that doom our planet with megatons of noxious gases.





[Taylor Jones—for the *Hoover Digest*]

Second, invoke the apocalypse, as in the Revelation of St. John (Revelation 13:13), where God will “make fire come down from the heavens.” Religion, pagan or monotheist, is shot through with cosmic angst attacks. The Deluge goes back to the Mesopotamian Gilgamesh epic (1800 BCE). Sodom and Gomorrah are incinerated for their debaucheries. Egypt is punished with the ten plagues to force Pharaoh to “let my children go.” Hardly had they fled when God wanted to slay them all for praying to the golden calf. In a brilliant plea, Israel’s greatest prophet, Moses, manages to stave off extinction. God reduced the death sentence to forty years of wandering in the wilderness.

Today, the harbingers of doom are armed with assumptions, models, and data. Melting ice will raise sea levels, swallowing coasts and islands. What the floods spare will be devastated by droughts or hurricanes. One recent sign from up high was the darkened skies over the Amazon rainforests, the “lungs of the world,” which presages collective death by asphyxiation. For the first iteration of this threat, one need only go back to Revelation 6:13: “The sun became black, and the whole moon became as blood.” Further verses were written by last winter’s Australian bush fires.

Whereas Isaiah 3:14 thunders, “You have devoured the vineyard, and the spoils of the poor is in your houses,” today’s climate prophets target the exploitation of the Third World by the rich West. Hence, “the Lord will take away their finery, the anklets and headbands” (Isaiah 3:18). And “before me every knee will bow” (Isaiah 45:23).

Third, if you “repent and believe” (Mark 1:15), Armageddon will yield to hope and salvation. But deliverance demands sacrifice, an idea going back to the earliest days of humanity. You could once expiate your sins by burying your baubles. Today, you must trade cars for bicycles. Stop gorging on meat, whose production destroys forests and poisons the atmosphere with methane. Shrink your carbon footprint by using trains instead of planes. Ditch plastic in favor of hand-knitted shopping bags. Turn down the thermostat and pay a price for carbon dioxide emissions. Such a levy makes economic sense by putting a market price on profligacy, but one can’t help recalling the indulgences condemned by another prophet, Martin Luther, in the sixteenth century.

## **AN UNCERTAIN TRUMPET**

Of course, faith has nothing to do with earth science. The latest IPCC Report (2018), written by luminaries in the field, looks like the very model of scientific inquiry. It is 618 pages long and packed with graphs, math, and time series. Given the dense academic language, it is doubtful whether anybody apart from the proofreaders has read the tome in its entirety.





Antoine de St.-Exupéry that gives the game away: the report is about salvation but is written in the language of science. The quote reads: “As for the future, the task is not to foresee, but to enable it.”

The data-driven language of the climatologists is more timid than the thunder of the prophets. Isaiah, Jeremiah, et al. mince no words when they let loose death and damnation. Unless you repent, God *will* strike. You *will* suffer hellish retribution. You *will* perish. The authors of the IPCC summary, however, hedge their bets. “Human activities are *estimated* to have caused approximately 1.0°C of global warming” (emphasis added). “It is *likely* to reach 1.5°C between 2030 and 2052 if it continues to increase” (emphasis in original). Anthropogenic global warming is again “estimated” as such and such. Extreme weather is explained by “attribution studies,” which suggests that the authors are not sure about whether one variable drives another, but they offer probabilistic assessments. Anthropogenic emissions “alone are *unlikely* to cause global warming of 1.5°C” (emphasis in original). (Note that the media are comfortable bandying around the figure of 2 or even 4 degrees.) Risks are not certain, avers the report, but depend on all kinds of factors, such as the “rate of warming, geographic location, levels of development and vulnerability.” So if X goes up, as assumed, then Y and Z *might* follow.

The language here is similar to that used in reports of the National Intelligence Council on various geostrategic threats faced by the United States. Such reports are sprinkled with conditionals and subjunctives, estimates and projections. In the vernacular, this technique is called “covering your behind,” which actually is proper and prudent for intelligence officials as well as scientists. Humans, after all, are not gifted with foresight. Alas, these cautionary rules do not govern the public discourse, where St.-Exupéry’s dictum reigns instead: the issue is not predicting the future but enabling it.

## **NO QUESTIONS, PLEASE**

Nor does a sober sense of the conditional bite into Greta Thunberg’s gospel. She goes the Prophets one worse by dispensing with the “if, then” framework and asserting that doom is already upon us. So, as she told her disciples at September’s New York climate strike: “our house is burning”—right here and now. Even Jeremiah gave Israel a bit more wiggle room.

Yes, exaggeration helps when serving a good cause. But conditionals are not enough when the Democrats have proposed a “Green New Deal” that costs \$50 trillion to \$90 trillion over the next decade to stave off global catastrophe. Politicos who are running for the party’s nomination seek to outbid one another, and so the gospel beats jejune budget matters.

Agnostics might question the coherence of Climatism. It takes considerable effort to explain why God permits evil. Likewise, how can the climate account for opposite phenomena such as rains and droughts, too much and

too little snow, fires and floods? Not to worry. If Theory A does not work, then let's add B and C. Yet merely to raise questions is to demonstrate naiveté,

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***Climatism features both condemnations of indulgences—à la Martin Luther—and demands for penance.***

obtuseness, or “denial.” You don’t quibble with a vengeful God who must be propitiated.

And those who do not bow their knees? They must be made to see that this is no time to shrug off dire tidings. For even if we do not know what awaits the planet, the precautionary principle demands prudence and insurance. Better to be good than oblivious. Better to act like a risk-conscious homeowner who cannot predict whether or when his house might go up in flames. He will still buy a policy, and rightly so. But precaution must not translate into a blank check to protect against all predictions, no matter how flimsy.

**NO TO BLIND FAITH**

It is critical to keep fear and faith from dividing the world into disciples and heretics. “I am holier than thou” is not a compelling argument. If climate trumps civil conversation, the world will not become smarter. Inspired by Aristotle and David Hume, the philosopher of science Karl Popper wrote: “All theories are hypotheses; all can be overthrown. The game of science has no end. Those who decide that scientific propositions are final retire from the game,” leaving behind “pseudoscience or faith.”

Is warming progressive? Or is it cyclical, as in eons past? For hundreds of thousands of years, warming followed regularly on ice ages. Climate historians assert that each temperature surge came with precipitous rises in atmospheric CO<sub>2</sub>.

Which came first, though? Did CO<sub>2</sub> raise temperatures, or did the warming increase the level of CO<sub>2</sub>? If cyclicity is the case, then human-

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***Even the low estimate for the Green New Deal comes to \$30 trillion more than America's entire GDP.***

made CO<sub>2</sub> could not quite explain today’s warming, as there weren’t very many belching smokestacks and gas guzzlers around ages ago. Consider an alternative hypothesis: if warming is not anthropogenic, then it might not

help to plug all oil wells, close all coal pits, and slaughter all methane-producing cows while covering the land with solar panels and windmills.

What's more, the adherents of Climatedism rarely consider the trade-offs that arise from their solutions. Electric cars instead of conventional vehicles? The manufacture and disposal of car batteries is not exactly eco-friendly. Apart from blighting the landscape, windmill blades kill birds and insects that pollinate fruit-bearing trees. Going vegan is good for bovines (and possibly for humans as well), but it would require chopping down forests to make room for millions of acres of crop lands—and no synthetic fertilizers, please. What are the effects on welfare when massive subsidies for solar power raise electricity prices, which weigh more heavily on the poor? Faith can move mountains, but politics is about costs and consequences.

To note such issues is not apostasy—different diagnoses come with different prescriptions. If human-made CO<sub>2</sub> is the key culprit in climate change, then it's worth investing in an aggressive and comprehensive policy to meet this urgent challenge—and getting China and India to do likewise. But remember that \$50 trillion, the lower estimate for the Green New Deal, is \$30 trillion more than America's current GDP. If human-made CO<sub>2</sub> is not the supreme malefactor, as it could not have been in the pre-industrial medieval warm period, then limited resources are better spent on levees, dikes, and heat-resistant trees and crops.

Karl Popper had an incontrovertible point: science is never a closed book. Faith, as Martin Luther preached, is a “mighty fortress,” but unflinching certainty locks out relentless inquiry—which goes for both sides. ■

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# AP Makes the Grade

Education reforms come and go, most achieving little. But Advanced Placement programs? They work.

By **Chester E. Finn Jr. and Andrew Scanlan**

When you consider the available options for gifted high school kids, the Advanced Placement (AP) program may not be the first thing that comes to mind. That's too bad, because AP might be America's most effective large-scale "gifted and talented" program at the high school level. That's a conclusion we reached while researching and writing our new book, *Learning in the Fast Lane: The Past, Present, and Future of Advanced Placement* (Princeton University Press).

Gifted programs come in many forms in US schools (and many issues come with them!), but the overwhelming majority of them

## Key points

- » Advanced Placement might be the most effective large "gifted and talented" program at the high school level.
- » Last May, some five million AP exams were taken by three million students.
- » AP courses rejuvenate students and teachers alike.
- » The AP experience confers skills and study habits that prepare students for college and beyond.

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**Chester E. Finn Jr.** is a senior fellow at the Hoover Institution and president emeritus of the Thomas B. Fordham Institute. **Andrew Scanlan** was a research and policy associate at the Fordham Institute. They are the authors of *Learning in the Fast Lane: The Past, Present, and Future of Advanced Placement* (Princeton University Press, 2019).

take place—if at all—in elementary and middle schools. At the high school level, smart kids have generally been left to fend for themselves by choosing individual courses that suit them, angling for the liveliest or most demanding teachers, accelerating when they can, possibly applying to selective magnet or “exam” schools aimed at students like themselves—often with a special focus such as STEM education—or supplementing their own education with outside experiences and online offerings.

For many gifted high schoolers, the smart move is finding some way to take college-level courses. Increasing options abound, including dual enrollment, its “early college” variants, or the smaller International Baccalaureate, to name a few. But the largest of all is the six-decade-old AP program, now operating in about 70 percent of American high schools. Some five million AP exams were taken by three million students last May. Almost two out of five graduates will have taken at least one such exam while in high school.

## **FIVE STRENGTHS**

While all these approaches serve gifted kids in different ways, we identify five reasons why they and their parents and counselors, as well as school leaders and state and local policy makers, should take AP seriously as the premier source of gifted and talented education at this level.

First, it comes with built-in quality control and guaranteed rigor, thanks to how the College Board operates it. In close consultation with university professors, as well as veteran high school instructors, the board prepares a “framework” for each of its thirty-eight subjects. It reviews every would-be teacher’s course syllabus before approving it as an AP class. And its three-hour exams, while intimidating to some, are expertly formulated, rigorously (and anonymously) evaluated according to a detailed nationwide rubric, and scored on a time-honored five-point scale that, according to the American Enterprise Institute’s Nat Malkus, hasn’t been dumbed down even as the program has grown exponentially. In contrast, dual enrollment (in its many forms), though booming in many states and certainly a viable way to engage with challenging learning experiences, suffers from highly variable content and rigor. Only occasionally does it hold a candle to AP’s nationwide quality control, and the community college “adjuncts” who often teach it may not be the world’s most stimulating instructors.

Second, AP tends to attract a high school’s keenest and most enthusiastic teachers, who find valuable collegiality, professional development, and intellectual encouragement from a nationwide network that includes peers in thousands of schools, as well as university professors. It’s not unusual to hear

teachers remark that an AP institute or summer workshop rejuvenated their work as educators, with some going back year after year for more. This can only be good news for the gifted students in their classrooms.

Third, AP is well understood by almost every college in the land, both in the admissions process and when it comes to course placement. At the admissions office, AP success is often viewed as evidence that an applicant has both ability and mastery of college-level academic work. When it comes

to placement, a “qualifying score” (3 or higher) on AP exams generally means that students can at least waive introductory college classes and

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***Advanced Placement classes have built-in quality control and guaranteed rigor.***

move on immediately to more challenging ones. Often they can establish actual degree credit upon entry and thereby accelerate or enrich the undergraduate experience, and perhaps save some money. Moreover, unlike credit earned via dual enrollment, AP credit is broadly portable to public and private colleges around the country.

Fourth, the AP classroom-and-exam experience, besides almost always challenging and stimulating students, actually confers skills and study habits that prepare them for college and beyond. Its courses can be an antidote to senior-year boredom, pushing able pupils to their academic limit and providing a source of stimulation and rigor that they may not find in their other courses.

Fifth, AP provides advanced, college-level coursework to a widening population of students. Entry has been democratized in recent years, and young people from many backgrounds have been encouraged to enter its classrooms. Once upon a time, the program was generally the preserve of a privileged few. Now, able students from every demographic take advantage of its rigorous coursework and externally validated exam, both to see themselves as “college material” and to show what they can really do. Except for exam fees—which states, districts, and philanthropists often cover—there’s no cost to students.

## **NOT PERFECT**

But AP isn’t all peaches and cream. While its democratization is a key asset in equalizing opportunity in America, it doesn’t always work as intended. It sometimes brings kids into AP classes who aren’t very well prepared for—or enthusiastic about—the challenges of these courses, and who can prove

challenging for teachers and frustrating to fellow students. A lot still rests on the quality of instructors, which can depend on the quality of professional development they received, whether those teachers felt compelled to take on the course, or simply whether they lack the capacity or motivation to impart the deep analysis and creative thinking necessary for effective AP instruction.

Access isn't perfect, either, especially if one attends a small or rural high school. Even schools in sizable cities typically offer just a selection from the full AP menu. (Online offerings can lengthen that list, but it's not quite the same.) Access within a school may be limited, too, whether because of capacity issues, not enough teachers, classrooms, schedule flexibility—or because entry into AP classes remains “gated”—that is, requires a teacher recommendation, course prerequisites, or a certain GPA. Like all gifted programs, mindsets need to be changed throughout the system about who should take part in AP and how best to ensure that all kids who would do well in its classrooms are given seats there and helped to succeed.

Finally, we need to note that a few dozen colleges, mostly the elite private kind, are less and less willing to confer actual credit on the basis of AP results or any other work done in high school, and may even require scores of 5—instead of the traditional 3—before honoring AP in making course placements.

All that said, Advanced Placement remains the closest thing America has to a quality, large-scale “gifted and talented” program at the high school level. The time is at hand for educators and advocates to recognize that and embrace the opportunities it provides to deliver the kind of education that high-ability young people need and—we earnestly believe—deserve. ■

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# Putting Aside Woke Things

**Far too many schools place social justice ahead of learning. For the sake of students, we must reject this harmful revolution.**

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***By Frederick M. Hess and Chester E. Finn Jr.***

**T**he damage inflicted on our educational institutions by the tsunami of wokeness is starting to worry even a few prominent progressives. Former president Barack Obama himself recently fretted about young activists who are “as judgmental as possible about other people,” cautioning that they’re “not bringing about change.”

As a hyper-judgmental, hyper-sensitive mindset washes from colleges into our nation’s schools, however, change is indeed being brought about: the wokeness wave is destroying unblemished reputations, driving admirable people from the field, and undermining sorely needed efforts at school improvement.

We’re a nation still at risk because of the faltering achievement of far too many children—a problem vividly on display in student performance that has been flat for a decade. Addressing that challenge requires a broad and durable coalition. This is only possible if reformers work with those who have different views and values and then have the courage to stand by their allies.

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School reformers have long seen themselves as plucky champions of change. Today, however, as funders and advocacy groups chant from a common hymnal of wokeness, the rules have changed and courage is hard to find. In its place we see cravenness and appeasement from reformers desperate to avoid the all-seeing eye of the progressive mob.

## SCAPEGOATS

Acclaimed Columbia professor John McWhorter recently decried the “tribalist, inquisitional excommunication” that caused a biology professor at Evergreen State College to be “hounded out of his post for refusing to heed a demand that whites vacate the campus for a day.” McWhorter’s focus, however, was mostly on the charter school sector, which has lately seen successful school leaders forced out because of complaints that they are racist, sexist, misogynist, or opinionated in ways that critics don’t like.

Exhibit A is educator Steven Wilson, who, a decade ago, launched the Ascend charter school network in Brooklyn. Now encompassing fifteen high-achieving campuses attended by some five thousand students, nearly all low-income and minority,

Ascend is a terrific network that boasts strong achievement. It includes a solid (and wondrously diverse) team of com-

mitted educators and provides a vital lifeline for families otherwise stuck in a vast, Kafkaesque system that Mayor Bill de Blasio and his current schools chancellor are fast turning into a citadel of woke intolerance.

Several months ago, Wilson was placed on leave and then fired by Ascend’s board because of a blog post in which he criticized the excesses of modern progressive pedagogy. Wilson’s post was perceptive and thoughtful, and it should have been welcomed by Ascend’s board. But as part of his insistence that educational rigor must not be seen as a “white” thing, it took what McWhorter terms “a swipe at identity-obsessed activists.”

An Internet petition sprang up alleging, bizarrely, that Wilson had somehow employed “white supremacist rhetoric.” The board caved, firing him. And even as Wilson’s plight caused much private angst among school reformers, the charter school community’s collective silence was striking.

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***It’s time for reformers to show courage and stand up to this nihilistic movement.***



Wilson is now out, while an industry of “diversity trainers” has emerged to enforce the new orthodoxy in schools across the land. Indeed, K-12 education is today awash in pricey “reform minded” propaganda sessions undertaken in the euphemistic name of “professional development.” Speakers are telling teachers: “If you are under the impression that there are good white people and bad white people, you’re wrong, because racial biases are universal and incurable.”

UnboundEd’s influential Standards Institute trains educators to be “Equity Change Agents”—but only after they confess to being “part of a systematically racist system of education.” When one of us wrote about all this last year,

the public response was ferocious condemnation, as we were accused of embarrassing the “movement.”

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### ***Reformers seem desperate to avoid the all-seeing eye of the progressive mob.***

The private response? A flood of “this stuff is terrible” missives arrived from reformers who were loath to speak up publicly.

Promise54 is a fast-growing “talent-solution provider” with clients that include the long-admired KIPP charter network and Teach for America. Its CEO argues that the talent problem in education isn’t a question of better recruiting and retention, but of “white-dominant culture,” with its oppressive embrace of “data-based decision making,” “speed and efficiency,” and “merit.” Reformers who blanch at this foolishness do so in hushed tones because they’re terrified of speaking out, lest they find themselves in the crosshairs.

### **REAL REFORMERS, RAISE YOUR HANDS**

The implications for schools and children are ominous, with self-styled reformers biting their tongues for fear of alienating funders, angering advocates, or becoming targets themselves.

As war engulfed Europe in early 1940, Winston Churchill was moved to remark on the cowardice and shortsightedness he saw in the as-yet-unconquered nations of the continent:

All of them hope that the storm will pass before their turn comes to be devoured. But I fear greatly that the storm will not pass. It will rage and it will roar ever more loudly, ever more widely.

It’s time for some Churchillian courage on the part of those committed to reviving American education. There is now a loud, punitive-minded cohort

of “reformers” who honestly believe that data is a tool of white oppression and that leaders who champion academic rigor should be fired as bigots. The many of us who abhor their nihilistic doctrine—and believe that improving our children’s schools is far too serious a cause to be undone by their she-nanigans—must stand up and be counted. ■

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# Space Invaders

**In the information age, old thinking about war is as faulty as old technology. Where is our unified theory of defense?**

**By Amy B. Zegart**

A few months ago the United States was brought to the brink of yet another conflict in the Middle East—this time with Iran. Such a conflict, should it come, might not look much like the others that American forces have fought in the twenty-first century.

Tank-on-tank warfare this isn't. Future hostilities are more likely to occur in cyberspace, not in physical space.

The US strike that killed Iranian general Qasem Soleimani is a harbinger in other ways. Historically, targeted killing has been rare as an instrument of war because it has been so difficult technically. The last time the United States killed a major military leader of a foreign power was in World War II, when American forces shot

## Key points

- » Emerging technologies will transform societies, economies, and politics in dramatic ways. Strategists are struggling to get ahead of them.
- » The collapse of the Soviet Union spawned a false sense of security.
- » Anonymous cyberattacks break all the familiar rules.
- » The United States is simultaneously the most powerful country in cyberspace and the most vulnerable.

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down an airplane carrying the Japanese admiral Isoroku Yamamoto. These killings are unlikely to be so rare in the future. Because drones allow constant surveillance and can strike precise targets, states may credibly threaten so-called decapitation attacks in ways that nobody imagined possible short of all-out nuclear war.

When battlegrounds are growing invisible and leaders can be killed by airplanes without pilots, it's fair to say that conflict is not what it used to be. The rise of cyberaggression, information warfare, autonomous weapons, and other technologies all require a thorough re-evaluation of the coming era, what geopolitics will look like, and the kinds of capabilities that will give nations a strategic advantage against their competitors. Yet the United States still lacks the sort of dominant explanatory framework that can guide American policy regardless of who the president is.

## **UNKNOWNNS AND MORE UNKNOWNNS**

It's not for lack of trying. Many people have been grappling with how to strengthen America's national security in an uncertain era. The far-flung outposts of these efforts range from conference rooms on Capitol Hill and offices in suburban Virginia strip malls to hotel ballrooms and slick boardrooms in Silicon Valley. There are new Pentagon units to harness technological innovation and bipartisan national commissions on cybersecurity and artificial intelligence. (I am an expert adviser for the AI commission.) There are intelligence studies to identify baseline trends and megatrends driving the future of international-security challenges, and think-tank reports and academic workshops on the future of just about everything.

All of these initiatives seek to look beyond the anxieties of today to understand the threats of tomorrow. And nearly all of them start with two insights: the first is that we face a "hinge of history" moment. Emerging technologies are poised to transform societies, economies, and politics in dramatic and unprecedented ways. The second is that we need better ideas to make sense of this new world so that American interests and values can prevail.

When one of the big ideas involves calling for more big ideas, you know it's tough out there. The technological race is challenging, but it's likely to be the easy part. It's the ideas race—who best understands the levers and opportunities presented by technological disruption and shifts in the world's political geography—that will determine geopolitical winners and losers. Some strategic insights provide competitive advantage; Russia recognized well before the United States did, for instance, that the rise of social media magnified the impact of information warfare.

# Cyber Attacks Are

## BORDERS



***NEW FRONTIERS: Army Major General Joseph “JP” McGee, a former Hoover national security affairs fellow, spent two years as deputy commanding general of operations for US Army Cyber Command. Military strategists and average Americans alike strive to understand the threats confronting them and decide which conflicts to undertake.*** [Charles Kip Patterson/ZUMA Press]

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Other strategic insights, if widely shared, become invaluable guides to democratic policy making and cooperation, enabling like-minded states to thwart repression and aggression of authoritarian regimes. How are military strategists and average American voters alike supposed to understand the world now confronting them—and decide which conflicts to undertake and how?

The cost of a conceptual mistake is high. At the end of World War II, the United States found itself locked in confrontation with the Soviet Union, a former ally that sought to export its own revolutionary ideology, communist economic system, and repressive governance around the world. American strategists built a foreign policy for the next half century around the strategy of containment developed by George Kennan in his famous 1947 “X” article. A career diplomat and Russia expert, Kennan believed that winning

the superpower conflict required, above all, patience. The United States, he argued, should use every element of national power—including economics, diplomacy, and military force—to contain the spread of communism. Eventually, he predicted, the Soviet Union would collapse from its own weaknesses. Every president from Harry Truman to George H. W. Bush pursued containment in various ways. Not every policy worked, and some, like the Bay of Pigs invasion of Cuba and the Vietnam War, failed disastrously. But Kennan was fundamentally right, and his ideas provided the north star for Republican and Democratic presidents alike.

But when the Soviet Union imploded in 1991, policy makers were suddenly left without a blueprint for navigating global politics. In place of containment, a gauzy optimism took hold. Major threats were considered passé: the end of history had arrived,

and democracy had

won. Declaring a “peace dividend,” policy makers slashed defense spending and cut the CIA’s workforce 25 percent,

hollowing out a genera-

tion just as a terrorist threat was emerging. In the post-Cold War decade, the United States focused its foreign policy on nation building, humanitarian assistance, and disaster relief. The Pentagon even created a new acronym for its operations: MOOTW, or “Military Operations Other Than War.” Nothing says strategic drift like focusing America’s warfighters on jobs other than the one they were hired and trained to do.

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***The United States lacks the dominant explanatory framework that can guide policy regardless of who the president is.***

## **DANGERS OF THE FAMILIAR**

Today’s conceptual struggle is harder because the threats are more numerous, complex, varied, uncertain, and dynamic; because all of them are being supercharged by technological advances that will work in ways no one can fully fathom; and because two of the most widely discussed concepts so far have been force fits from a bygone era.

The notion of a new cold war with China is all the rage. It’s a term that provides a strange sort of comfort—like seeing a long-ago friend at your college reunion—and yet no great insight. The US-Soviet Cold War was driven primarily by ideology. The current competition with China is driven primarily by economics. And while the Cold War split the world into two opposing camps with almost no trade or meaningful contact between them, the key



feature of today's Sino-American rivalry isn't division by an iron curtain but entanglement across global capital markets and supply chains.

Deterrence is another Cold War oldie-but-goodie. It sounds tough and smart, even though, in many circumstances, nobody is really sure how it could ever work. It has become a hazy, ill-formed shorthand policy that

consists of "stopping bad guys from doing bad things without actually going to war, somehow." Russian information warfare and election

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***The technological race is challenging, but it's likely to be the easy part. The ideas race will be harder.***

interference? Let's get some deterrence for that. Iran? Maximum-pressure deterrence. Bashar al-Assad's use of chemical weapons against his own people? Deterrence with clear red lines. China's militarization of space? Cross-domain deterrence.

Deterrence isn't a useless idea. But it's not magic fairy dust, either. History shows that deterrence has been useful only under very specific conditions. In the Cold War, mutually assured destruction was very good at preventing one outcome: total nuclear war that could kill hundreds of millions of people. But nuclear deterrence did not prevent the Soviets' other bad behavior, including invading Hungary, Czechoslovakia, and Afghanistan. The key Cold War takeaway isn't that policy makers should use deterrence more. It's that some things are not deterrable, no matter how much we wish them to be.

For all the talk of deterring cyberattacks, for example, the reality is that successful deterrence requires three conditions that are rarely all met in cyberspace: knowing the identity of the adversary, making clear what behavior

you will not tolerate, and showing the punishment you could inflict if a Rubicon is crossed. But cyberattacks are frequently anonymous. No one can find out who the bad guys are, at least not

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***After the Soviet Union imploded in 1991, policy makers were suddenly left without a blueprint. A gauzy optimism took hold.***

easily, so miscreants of all types can act with little fear of punishment. And there's a reason no country conducts public cyberweapons tests or show-cases its algorithms in military parades: once a cyberweapon is revealed, an adversary can much more easily take steps that render it useless, turn it against you, or both.

Using familiar ideas like the Cold War to understand new challenges is always tempting and sometimes deadly. Analogies and familiar concepts say, “Hey, it’s not so bad. We’ve been here before. Let’s consult the winning playbook.” But in a genuinely new moment, the old playbook won’t win, and policy makers won’t know it until it’s too late.

## PARADOXES

The biggest conceptual challenge is the profundity of paradox: seemingly opposite foreign-policy dynamics exist at the same time.

Today, for instance, geography has never been more important—and less important. Sure, geography has always mattered. The Portuguese built an empire by claiming colonial territories along the maritime route Vasco da Gama discovered to reach India. But questions of who controls the physical landscape, and who lives in it, are now shaping global events in unpredictable ways and on an unprecedented scale. According to the United Nations, more than seventy million

people were forced from their homes last year, the highest number on record. Of those, twenty-

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***In the virtual world, power and vulnerability are intertwined.***

five million had to flee their home country, driven by violence or persecution. Separatist movements are stirring from northern Spain to the South Pacific, part of a secessionist trend that has intensified over the past century.

Meanwhile, global climate change is transforming the landscape itself. Australia is on fire, with flames ravaging an area the size of West Virginia and choking millions of residents miles away with extreme air pollution. Experts predict that global warming will make massive fires more frequent in more places. Scientists also estimate that rising seas could threaten up to three hundred and forty million people living in low-lying coastal areas worldwide. All of these trends, along with old-fashioned territorial aggression (Russia in Ukraine, China in the South China Sea), are searing reminders that physical spaces and borders drawn across them still matter as much as they ever have.

At the same time, the virtual world has never been more global and seamless, with individuals and groups able to connect, transact, cooperate, and even wage wars across immense distances online. The percentage of the global population that is online has more than tripled since 2000. There is now wi-fi on Mount Everest, and Google’s parent company, Alphabet, promises to use balloons to bring the Internet to remote parts of Kenya. Facebook

in 2019 drew 2.4 billion active monthly users—that’s a billion more people than the entire population of China. All of this connectivity makes it possible for Russian operatives to reach deep inside American communities and spread disinformation, influence what we believe, and tear us apart. Cyber capabilities also reportedly enabled Americans to sabotage North Korean rocket tests from thousands of miles away.

Artificial intelligence is compressing time and distance—making it possible for information analysis and military decisions to move at machine speed. Even the borders between war and peace, combatant and civilian, are becoming increasingly blurred in cyberspace. In the old days, military mobilization took months and involved large logistics operations with heavy equipment that was hard to hide. In cyberspace, mobilization is literally at your fingertips.

In a related paradox, the United States is simultaneously the most powerful country in cyberspace and the most vulnerable country in cyberspace.

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***Deterrence has become a hazy shorthand for “stopping bad guys from doing bad things without actually going to war, somehow.” But some things are not deterrable.***

This, too, is new. In the military’s traditional domains—air, land, and sea—countries with more capabilities were typically more powerful. Want to know who will “own the skies” in a conflict? The

answer is easy: the side with better aircraft and air defenses. The Pentagon likes to talk about domain “dominance” because the term used to mean something. But it doesn’t in cyberspace. In the virtual world, power and vulnerability are inextricably linked.

As my Hoover cybercolleague Herb Lin has noted, connectivity is an important measure of strength and influence. From enterprise computing to industrial-control systems to the Fitbits on our wrists and video doorbells in our homes, information-technology-based systems are crucial for exploiting information to achieve greater efficiency, coordination, communication, and commerce. But greater connectivity inescapably leads to greater vulnerability. The Internet puts bad guys in distant locales just milliseconds away from the front door of a nation’s important information systems, such as those at power plants and major corporations. And as Lin notes, the more sophisticated our computer systems are, the more insecure they inevitably become. Increasing the functionality of any system increases the complexity of its design and implementation—and complexity is widely recognized as

the enemy of security. As he told me, “A more complex system will inevitably have more security flaws that an adversary can exploit, and the adversary can take as long as is necessary to find them.”

Beyond recognizing that seemingly paradoxical dynamics can exist at the same time—that digital technology multiplies America’s power and weaknesses; that physical geography is irrelevant and more laden with peril than ever—I don’t have a unified working theory for global affairs. But the search for one is essential.

Containment and deterrence were bold and counterintuitive ideas when they were first formulated. Theorists of the middle of the twentieth century, such as Kennan and Thomas Schelling, who articulated the theory of deterrence, started with one essential advantage: the atom bomb made it viscerally, horrifically clear just how much the coming world would be different from the past. This also drove home the point that the go-to ideas of yesteryear would not be up to the task of guiding American foreign policy in a new age. That point is no less urgent now. ■

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# Where's Waldo's Nuke?

**Amateurs are prowling the Internet for clues to nuclear weapons development. Real spies find these efforts both helpful and worrisome.**

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**By Amy B. Zegart**

**T**racking nuclear threats used to be the sole province of secret agents and analysts at high-powered government intelligence agencies. Not anymore. Today, the world of new nuclear sleuths is straight out of the “Star Wars” bar scene. Peering into the hidden nuclear activities of North Korea, Iran, and other suspected proliferators are journalists, hobbyists, professors, students, political opposition groups, advocacy groups, nonprofit organizations, for-profit companies, think tanks, and former senior government officials with informal links to international weapons inspectors, American policy makers, and intelligence leaders.

Among this wildly eclectic mix of individuals and organizations, some are amateurs. Others have extensive expertise. Some are driven by profit or political causes. Others are driven by a mission to protect the United States and reduce global nuclear risks. Nearly all harbor an obsessive interest in nuclear secrets and finding creative ways to unlock them. Together, these

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self-appointed watchdogs are transforming American nonproliferation efforts—largely for the better. Yet they also create new challenges for the US government, which once enjoyed a near-monopoly on detailed surveillance imagery of hostile countries with nuclear ambitions. American intelligence agencies must now operate in a world where highly revealing information is sitting out in the open, for anyone to see and use.

David Schmerler, part of a team at the James Martin Center for Nonproliferation Studies, goes by the nickname “Geolocation Jesus” because of his skills at pinpointing North Korean locations using far-ranging clues, such as Kim Jong Un’s public schedule, the number of skylights in a photographed room, Google Earth, and his knowledge gleaned from watching every North Korean missile propaganda video ever released. Frank Pabian, who works closely on a Stanford University team led by former Los Alamos Laboratory director Siegfried Hecker, is one of the world’s leading imagery analysts and a former American weapons inspector. Then there’s Jacob Bogle, a coin dealer by day and North Korean mapping hobbyist by night who has created one of the world’s most detailed maps of North Korea from his home in Murfreesboro, Tennessee. In my own research, I’ve found seventeen major groups or players actively tracking illicit nuclear activities around the world.

Not all of the work generated by this wide-ranging ecosystem is accurate, but much of it is pathbreaking. And all of it is unclassified.

## **MANY, MANY EYES IN THE SKIES**

For decades, the governments of great powers—and especially the United States—had cornered the satellite market, for good reason: operating anything in space was technically demanding and inordinately expensive. The Corona satellite, a project of the CIA and the US Air Force, was the first to photograph large swaths of the planet in 1960, returning its film in a capsule that had to be parachuted down to Earth and captured in midair over the Pacific Ocean to be developed. The engineering challenge was so punishing that Corona’s first thirteen missions failed. But on the fourteenth attempt, it hit pay dirt, photographing more Soviet territory than all previous U-2 spy plane flights combined. According to Albert Wheelon, the CIA’s first deputy director of science and technology, “It was as if an enormous floodlight had been turned on in a darkened warehouse.” The Soviets soon launched their own photo reconnaissance satellite, Zenit-2, in 1962. It, too, was expensive and failed repeatedly before it finally returned usable imagery.

Since the early 2000s, commercial satellites have become common. According to the 2019 threat assessment issued by the Office of the Director



of National Intelligence, the annual number of satellite launches has quadrupled in the past five years. In a single launch last year, the private firm SpaceX sent sixty-four small satellites from seventeen countries—and a Florida middle school—into space. News reports note that in 2018 alone, three hundred and twenty-two small satellites the size of a shoebox were hurled into orbit, and some analysts estimate that more than eight thousand small satellites will be launched in the next decade.

Spy satellites still offer better resolutions and capabilities than the commercial ones. But today's commercial satellites are narrowing the gap, offering image resolutions that are roughly 900 percent better than what they were just fifteen years ago—sharp enough to distinguish different types of cars driving along a road and capture certain indicators of equipment used in nuclear weapons programs. What's more, constellations of small satellites can fly over the same location multiple times a day, identifying changes on the ground in near real time. Already, a San Francisco start-up called Planet Labs has more than one hundred and fifty satellites in orbit. Seattle-based BlackSky, which launched in 2013, has sixty satellites and says it flies over major cities forty to seventy times a day. Perhaps most important, the costs of acquiring satellite imagery have plummeted—just as computing and communication power has been radically democratized.

Today, more than half the world's population uses the Internet, and soon more people will have cell phones than running water. Connectivity is making everyone a potential intelligence officer. People can review photos posted on social media, record seismic activities on their cell phones, and use 3-D modeling apps to assess whether a suspicious facility could actually accommodate the kind of equipment used in nuclear weapons development.

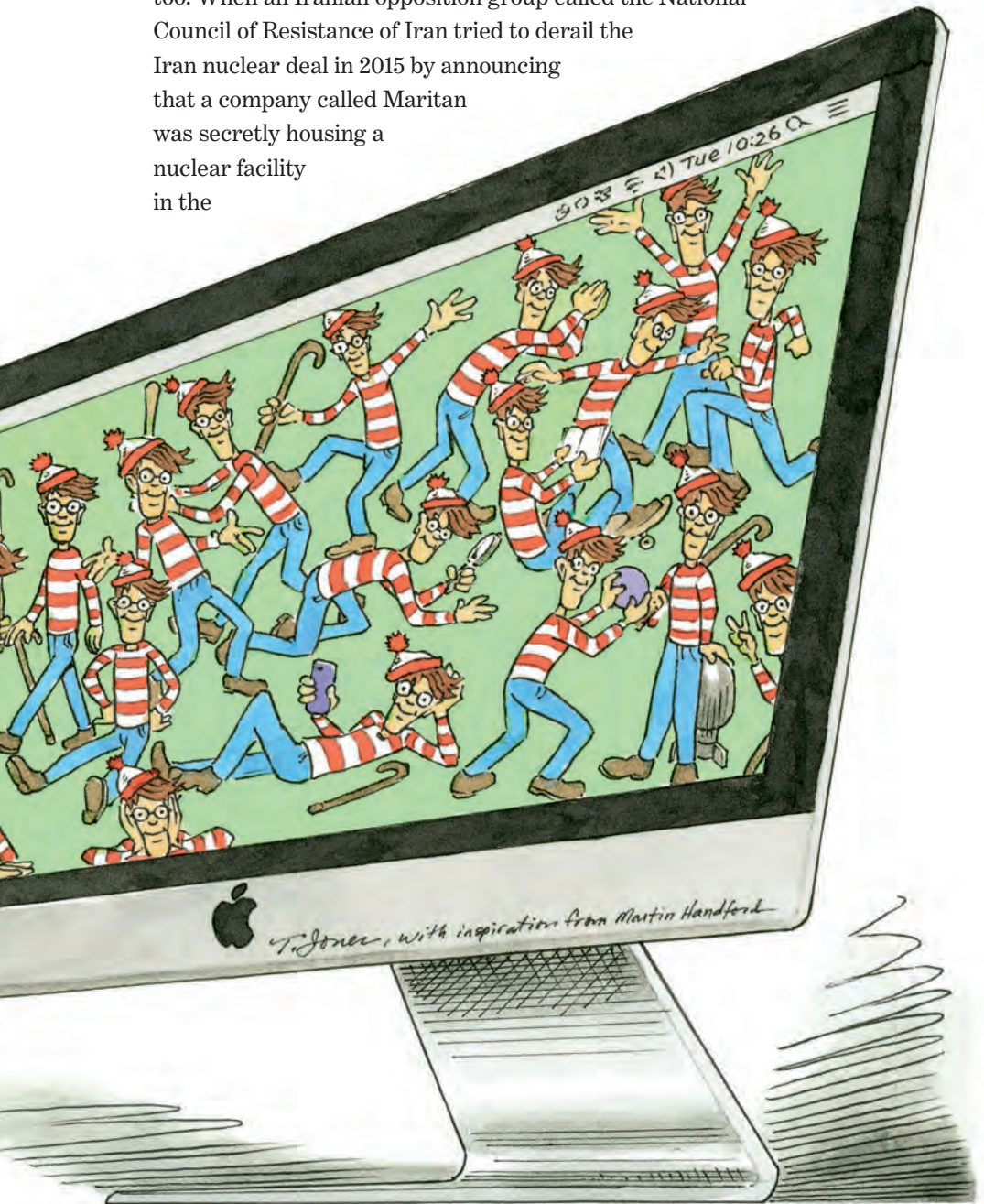
## HOW THE SLEUTHS DO IT

In recent years, expert groups in this ecosystem—teams led by Hecker, also my colleague, at Stanford; Jeffrey Lewis of the Center for Nonproliferation Studies; and David Albright at the Institute for Science and International Security—have made a number of breakthroughs. They pinpointed the location of North Korea's first two nuclear tests years before the North Koreans confirmed them. They tracked the construction of a new nuclear reactor at Pyongyang's Yongbyon complex and estimated its operational capability. They identified the function, size, and capacity of Iran's secret nuclear facility at Natanz. And they have quickly



debunked false information, such as Kim Jong Un's claim that he had successfully tested a submarine-launched ballistic missile in 2016.

Nongovernmental nuclear sleuths have taken on one another, too. When an Iranian opposition group called the National Council of Resistance of Iran tried to derail the Iran nuclear deal in 2015 by announcing that a company called Maritan was secretly housing a nuclear facility in the



[Taylor Jones—for the Hoover Digest]

basement of its Tehran office, Lewis's team showed within a week that the purported evidence was false. Maritan was a real company. It even listed employees on LinkedIn. But it had nothing to do with nuclear enrichment. It specialized in making secure documents like national identification cards.

Analyzing satellite imagery, Lewis's team found no construction activity at the Maritan office site during the alleged time frame of nuclear facility construction or obvious signatures of nuclear enrichment activities found at other known Iranian sites—such as ventilation systems or electrical substations to power nuclear centrifuges. Using 3-D modeling, it showed that the alleged facility was in fact too small to fit the necessary nuclear machinery and infrastructure. And Lewis found that the group's photograph of a lead door—which supposedly proved there must be radioactive substances inside—was actually just copied from a commercial Iranian website. Lewis's team also found that none of the known Iranian sites ever used lead doors because radiation leakage had never been a concern. Perhaps most remarkable, it used crowdsourcing, social media, and a GPS location app to find someone who had actually been to Maritan. The team contacted this person by e-mail and verified who he was—identifying his hobbies, marital status, and even getting his photograph in the process, all from open-source detective work. From him, it learned that Maritan regularly brought foreign contractors to the office, making it highly unlikely that the company would put a

secret nuclear facility in its basement.

As these examples suggest, nongovernmental nuclear sleuths provide more hands on

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***US intelligence agencies now operate in a world where highly revealing information sits out in the open.***

deck for intelligence agencies to validate or disprove nuclear developments. And because nongovernmental organizations and individuals operate in the unclassified world, their findings can be shared within governments and between them. That's a major shift. Their findings can be publicized across agencies and borders, galvanizing attention to an issue. In addition, open-source intelligence makes possible more input and analysis from a broader array of experts than information collected by traditional intelligence agencies.

Particularly because nuclear threats are so dangerous, intelligence about them is almost always highly classified. While the siloing of this information has benefits, it also comes with serious drawbacks. Chief among them is the risk that the information will not be sufficiently subjected to independent or

competing perspectives. The more classified something becomes, the fewer people get to see it. Going black runs the risk of going dark, leaving bits of intelligence underdeveloped and underconsidered.

To be sure, open-source nuclear sleuths raise the risk that errors could go viral and that adversaries could be tipped off that they need to hide their nuclear activities better.

Amateurism has its limits, especially when it comes to analyzing images from space. Even a seemingly unmistak-

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***Amateurism has its limits, especially when it comes to analyzing images from space.***

able landmark can be hard to pick out. From directly overhead, St. Louis's Gateway Arch does not appear archlike at all. Identifying telltale indicators of weapons proliferation is a very subtle art; imagery analysts need to understand the nuclear fuel cycle so they know which visual clues to look for. To the untrained eye viewing objects from unfamiliar angles, a road can look like a railroad track, a dried-up stream bed can look like a tunnel, a massive elevator can look like a missile launch pad, a livestock pen can resemble an Indian nuclear test site, a cylindrical foundation for a hotel can look like the beginnings of a hidden nuclear facility. These aren't hypothetical mistakes. Amateur nuclear detectives have made these errors, which were publicized before they were corrected.

## **HIDE, SEEK, HIDE AGAIN**

In 2011, a group of Georgetown students and their professor even sparked congressional hearings and a flurry of activity inside the Pentagon when their amateur analysis suggested that China was hiding thousands more nuclear weapons in underground tunnels than American intelligence officials had estimated. Their analysis turned out to be incorrect, but not before it had captured national headlines and generated pressure for officials to waste time double-checking and justifying the accurate assessments they already had.

And that's what happens with well-meaning mistakes. Nefarious actors could inject deliberate deceptions, raising the risk that falsehoods will be believed, truth will be doubted, and intelligence agencies will be tied up serving as "verifiers of last resort" rather than advancing their own intelligence collection and analysis priorities.

Clever nuclear sleuthing could also tip off adversaries, alerting them to weaknesses in their camouflage, concealment, and deception techniques that

they didn't know existed and causing them to take new measures that make monitoring by everyone more difficult. Some public evidence already suggests that the detail of images available on Google Earth has prompted new

Chinese efforts to conceal military facilities from more frequent satellite-shooting intervals. And after Dave Schmerler was able to measure the size of North Korea's first

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***Nefarious actors could even inject deliberate deceptions, raising the risk that falsehoods will be believed and facts doubted***

nuclear device and locate the building where it was photographed by using objects in the room as clues, the next North Korean photo of a warhead was taken in an otherwise empty room. Whether Schmerler's research prompted the change remains a mystery. But history suggests that hiding and seeking go hand in hand: whenever new monitoring capabilities are revealed to an adversary, countermeasures are likely to follow.

Yet despite these risks, the democratization of nuclear threat intelligence is likely to be a boon to the cause of nonproliferation. Aspiring nuclear states have always gone to great lengths to conceal their atomic ambitions and activities. But dark programs can quickly spiral into global dangers—as Americans saw in October 1962, when the Soviets' determination to surprise the United States with a nuclear fait accompli in Cuba brought the world to the brink of total nuclear war. Thanks to the new nuclear sleuths, estimating nuclear dangers isn't just for governments anymore. For would-be proliferators like Iran and North Korea and future regimes that might consider following in their footsteps, hiding the evidence is going to get a whole lot harder. ■

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# Thirty Years On

Three decades after the fall of the Berlin Wall, Hoover fellow **Timothy Garton Ash** assesses the state of European democracy.

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**By Rachel Tausendfreund**

**Rachel Tausendfreund:** You were on a panel at Brussels Forum where you discussed 1989, and I'm going to ask you to start there. You said 1989 was the best year in European history. Tell us why.

**Timothy Garton Ash:** That's quite a claim, isn't it! I put it out there as a challenge and I haven't yet had anyone come back and say: "What about 1783?" So why do I make that bold claim? Because an extraordinary set of things happened or started to happen then: the peaceful, almost entirely peaceful dissolution of an enormous nuclear-armed, post-totalitarian empire. Empires don't normally collapse peacefully; this one did. The invention by the states and societies of Eastern Europe of a new model of revolution—nonviolent, negotiated revolution—the model of 1989 replacing the violent revolution model of 1789 and 1917, freedom and life chances for more than a million people, transitions—difficult, imperfect transitions—but nonetheless transitions to liberal democracy all over Central and Eastern Europe. And in a way the most remarkable bit, the peaceful extension of the Western transatlantic order, which we had built only between Western Europe and North America, post-1945, to virtually the whole of Europe, not entirely, but most of Europe.

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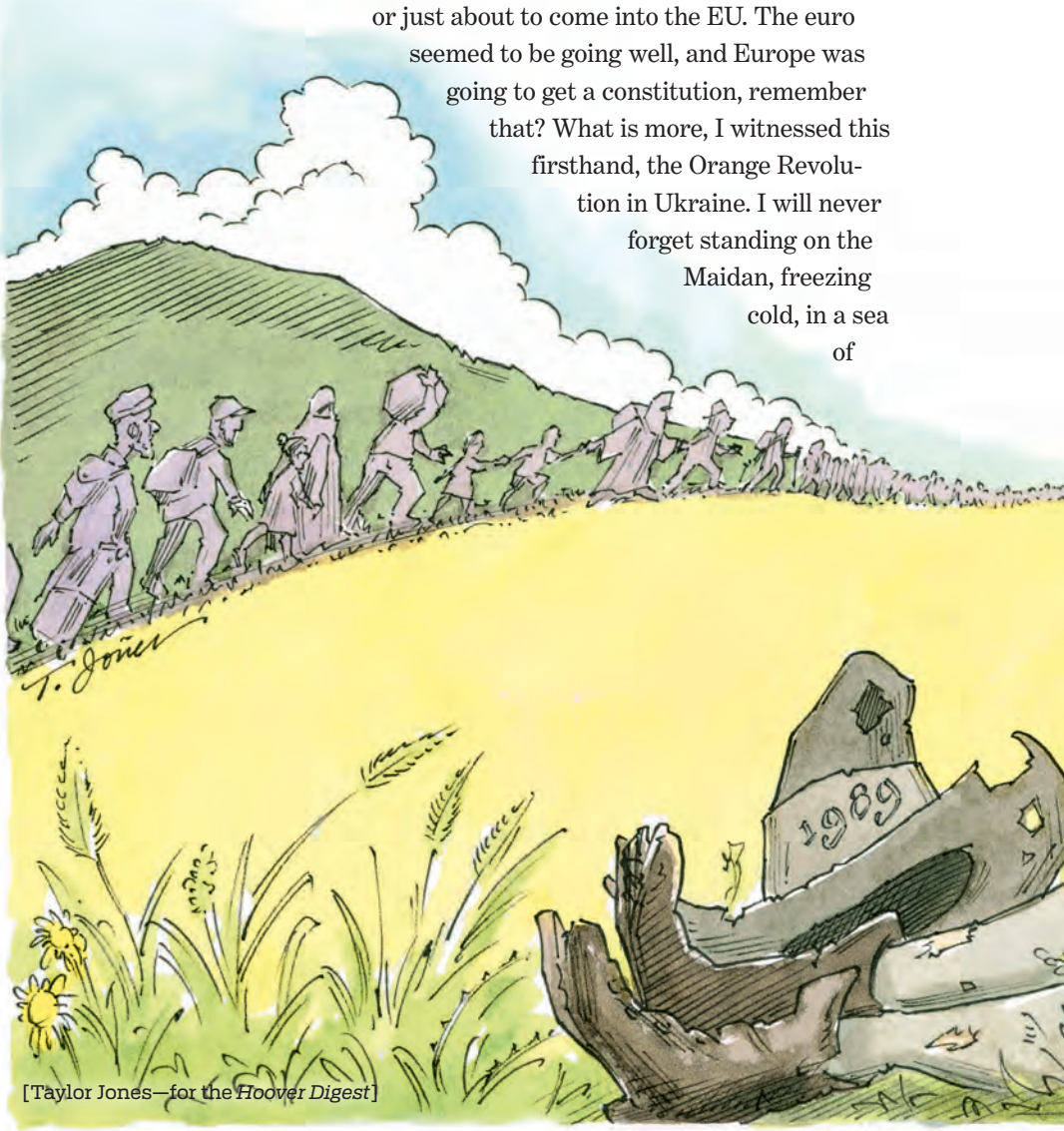
*Timothy Garton Ash is a senior fellow at the Hoover Institution, Professor of European Studies at the University of Oxford, and Isaiah Berlin Professorial Fellow at St. Antony's College, Oxford. Rachel Tausendfreund is the editorial director of the German Marshall Fund of the United States.*



We got pretty damn close to a Europe whole and free, in President George H. W. Bush's great formulation. That's quite a lot to happen in one year.

**Tausendfreund:** If we got pretty close to a Europe whole and free soon after 1989, when do you think was the closest we got? When did the decline start, if you had to pinpoint a year?

**Garton Ash:** If I had been cryogenically frozen in 2004, I would have gone to my temporary rest a happy liberal European. That was the high point. Most essentially it was Eastern Europe coming into NATO, and either into the EU or just about to come into the EU. The euro seemed to be going well, and Europe was going to get a constitution, remember that? What is more, I witnessed this firsthand, the Orange Revolution in Ukraine. I will never forget standing on the Maidan, freezing cold, in a sea of



[Taylor Jones—for the Hoover Digest]



Ukrainian and European flags. So successful did the liberal European model look that the people around it still wanted to join.

That's also in my view the start of what I call the antiliberal counter-revolution. As the Russian journalist Konstantin von Eggert once said, the most important event in Russian politics in the past twenty years happened outside Russia, and he meant the Orange Revolution in Ukraine. That's when Putin woke up and found the West coming to his door, in his backyard, as he sees it. That is when you get the antiliberal pushback. And then of course we, the West, in our hubris and liberal overreach, crash our own financial system. The reverberations of the financial and economic crisis still linger; the damage it's done to the soft power of the West, we are still paying for that.

**Tausendfreund:** There are two currents in the story so far. On the one hand, the antiliberal counterrevolution you mentioned, which started in earnest around 2004. And then, on the other, the financial crisis and the problems with the eurozone, all of the crises that begin to make Europe lose its luster and look less like a positive model. Do you think these are separate streams, the external and the internal, that were both running along and just collided? Or do you think one fed the other?

**Garton Ash:** Hegel says somewhere, “the true is the whole.” I don't quite buy that. There's a great temptation to see all of this as being some vast interconnected system. But there are some interesting connections. For example, one might think the euro crisis and the situation today in Poland and Hungary are quite separate, but actually the euro was effectively born in the month after the fall of the Berlin Wall. The project was already there but in response to the prospect of Germany's unification, François Mitterrand of France and Giulio Andreotti of Italy pinned Helmut Kohl down to a timetable for a European Monetary Union, and that's why, because it was an eminently political project, we get the deeply flawed and much too large eurozone that we have today. So, there are interesting connections back to 1989. But on the other hand, some of the phenomenon we loosely call populism, which after all you see in the

***WHAT GOES UP: A juggler performs atop the Berlin Wall in November 1989. Hoover fellow Timothy Garton Ash says the peaceful revolution that brought down the wall—“the model of 1989”—replaced the violent revolution models of 1789 and 1917. “If I had been cryogenically frozen in 2004,” he says, “I would have gone to my temporary rest a happy liberal European.”*** [Yann Forget—Creative Commons]





United States, as in France, as in Poland, as in the United Kingdom, has to do with larger developments of globalized, financialized capitalism.

**Tausendfreund:** Populism is a slippery term with many different working definitions, but at its core it involves a revolt against “the elite” and the idea that there is a division between the people and the elite. In a poll of transatlantic opinion leaders that we did ahead of the 2019 Brussels Forum, we asked respondents what they thought the biggest threat to the future of democracy was, if it was populism, inequality, societal division, external foes, or the failure of governing elites to solve problems. Failure of the elites was the top choice, and this from respondents who could be considered elite or elite-adjacent. I wonder if the rise of populism we’ve seen in recent years is partly justified because elites really didn’t do the job they should have done, didn’t do right by their societies.

**Garton Ash:** To adapt Tony Blair: tough on populism, tough on the causes of populism. We have to be both. We have to understand there are a bunch of legitimate grievances in the other halves of our society. To put it at its absolute simplest, you can say what we liberal internationalists got wrong in the past thirty years is that we spent a lot of time on the other half of the world and not enough time on the other half of our own society. And if you are white working class, poorly educated in a postindustrial town of northern England, or in the Rust Belt in the United States, or in rural southeast Poland, you can feel you’ve got a raw deal from what could be called the liberal golden age.

And it’s not just economic inequality, employment, and so on; it’s also cultural. It’s what I call the inequality of attention and respect, the fact that people in small towns, in villages, in old Rust Belt places, felt that not only were they getting a raw deal in life, but they were being completely ignored and disrespected by liberal metropolitan elites that turned their backs on them. And I think that’s a justified concern. So we have to make the analysis, understand the legitimate causes of populism, and address these in our efforts to renew liberalism.

We have to address economic inequality, above all the inequality of wealth, as opposed to income inequality. There are two kinds of young people in the United Kingdom today: those who can afford to buy their first house and those who cannot. And what makes the difference is the bank of mommy and daddy. That’s not a good place for a modern liberal democratic society to be. And then we have to look at the inequality of attention and respect; we have to pay more attention to those who are left behind in our own societies.

**Tausendfreund:** To jump to Hungary because I know this is a country that you’ve been watching closely, and it’s an interesting case. In 2009, people



***NACHTMUSIK: Fireworks light up the Brandenburg Gate in Berlin last November for a thirtieth-anniversary celebration of the toppling of the Berlin Wall. Today's Europe struggles with both economic and cultural problems, including the pressure of "illiberal democracy" in Hungary, but Hoover fellow Timothy Garton Ash advises cautious optimism.*** [Carulli/Fotogramma/Ropi]

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would have considered it a pretty consolidated democracy. And now, it's the biggest "problem" for Europe, seen as the leader of this challenge to the European model. Viktor Orbán has said, as you quoted in a recent article, "Thirty years ago, we thought Europe was our future. Today, we believe we are Europe's future." What does he mean and is he right?

**Garton Ash:** Hungary is very close to my heart, I spent a lot of time there in the 1980s. It was one of the leaders in the emancipation of East-Central Europe from communism; it was a pioneer. I wrote about it at length in my book *The Magic Lantern* on the revolutions of 1989. And for a time, it seemed to be this great success story. In 2009, Alfred Stepan, the political scientist, said Hungary is a model of consolidated democracy.

Amazingly, in the decade since 2010, this democracy has been so far eroded and dismantled that I would now argue Hungary is no longer a democracy. *A member state of the European Union is no longer a democracy.* Take a moment to think about that. And what's more, the dismantling has been done with the help of European taxpayers' money, EU funds being used to build the system



of control. It's a real shocker. And Orbán can have his cake and eat it, too—by the way, also using Russian money and Chinese money—cashing in from all sides, giving him the self-confidence to proclaim that this is the new model of what he calls illiberal democracy.

However, first of all, illiberal democracy is a contradiction. Either a democracy is liberal, or it isn't a democracy. Second, I don't actually think that's the way his-

tory is going, though it may look that way. Hungary is in many ways an exception; it's the only country inside the European Union

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***“Empires don't normally collapse peacefully; this one did.”***

which Freedom House classifies as partly free, a rare dismantled democracy. In Poland, in Slovakia, in the Czech Republic, they have very worrying populist illiberal tendencies, but still elections are there to be won. I think there's going to be a very significant pushback by a more liberal Europe and, now, by a greener Europe. I think we've seen that in the European Parliament elections as well as in individual countries.

***Tausendfreund:*** So you're an optimist.

***Garton Ash:*** I am a cautious optimist, I would say. I think analytically things look pretty bleak, but I just saw a mass pro-democracy, pro-European demonstration in Prague, the very place where I witnessed the largest demonstration of the Velvet Revolution in 1989. In Poland there's a big pushback, and Slovakia has got a wonderful new liberal pro-European president, so there're a lot of indices. In other words, it's there for the winning, but we have to get the winning formula right.

This means, first of all renewing liberalism, working out how we do that, and second, winning the odd election. In the United States, or for liberals in the United Kingdom, or almost wherever you look, we're not there yet, we haven't found the formula, or the party structures, or the leadership to translate a new liberal agenda into election-winning politics.

***Tausendfreund:*** Have you seen any recent elections, perhaps the European Parliament elections, were you would point to what might be the best “germ” of a winning liberal platform?

***Garton Ash:*** Yes. The Greens are doing incredibly well in Germany, stunningly well, coming out in polls ahead of the Christian Democratic Union, way ahead of the Social Democrats. They are a very remarkable and very interesting mix. The new grouping in the European Parliament, which is

called Renew and puts the liberals together with Macron's En Marche and a couple of other groupings, that's exactly the space we need to be in. "Renew" is the right label. We haven't yet got it completely together, in the way that, say, post-1945 social democracy got it together and proposed a package which was appealing to a majority in our societies. But I would say we are working on it.

**Tausendfreund:** Yes, that sounds like cautious optimism.

**Garton Ash:** Cautious optimism in relation to the particular question we're talking about, antiliberalism in Europe. If I look wider, if I think of the fact that we are not meeting the challenges of climate change, the digital revolution and AI. If I look at the relationship between China and the United States, it's much more difficult to be analytically optimistic about global developments.

There is an interesting connection to 1989 in that. Today's China with its peculiar mixture, which we might simplistically call Leninist capitalism, a dynamic economy but still a very Leninist leadership, is as much a product of 1989 as are the democracies of Central and Eastern Europe. On June 4, 1989, the first semifree elections in Eastern Europe in forty years take place, which lead to the first noncommunist government in Eastern Europe in Poland. The same day: the massacre in Tiananmen Square. I will never forget it. I was in Warsaw, coming back to a newspaper office and seeing on television screens the first pictures of the students being carted off the street around Tiananmen Square.

Out of that, learning lessons from the collapse of communist rule in the Soviet Union and Eastern Europe, the Chinese Communist Party has built a system that is a real ideological competitor to the West.

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***"We spent a lot of time on the other half of the world and not enough time on the other half of our own society."***

Wherever I go in the world, you can't go twenty minutes without China being mentioned. In that sense, it's more like the Cold War, a global multidimensional competition. And that's very challenging, and, I think, very dangerous.

**Tausendfreund:** The main thesis of *The End of History* was that with the collapse of Soviet communism, there was no longer a worthy challenger to the system of liberal capitalist democracy. But now we have Putin and Orbán or Xi Jinping, who seem to want to present an alternative. But can any of these models be considered a worthy systemic challenge?

**Garton Ash:** Victor Orbán, in describing illiberal democracies, says you want dynamic growing economies, you want healthy nation-states, look at Russia, look at China. So, there's a model out there.

Now, I think Leninist capitalism has internal contradictions, which are quite acute and will become more acute with time because we know that

Leninist regimes are not good at managing the problems of complex modern societies. Nonetheless, seen from Africa, or seen from Latin America,

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***“Illiberal democracy is a contradiction. Either a democracy is liberal, or it isn't a democracy.”***

authoritarian capitalism looks pretty good by comparison with the West that is in crisis. That said, I think that an ideological competition is actually good for us. The reason we became complacent and hubristic at the end of the Cold War is that we thought we didn't have a competitor anymore. And so, in that sense, there's a silver lining to that cloud.

**Tausendfreund:** Which is supposed to be the advantage of capitalism, that competition makes everyone fitter and stronger, and creates a healthier system.

**Garton Ash:** Let's hope. ▣

*Reprinted from Reassessing 1989: Lessons for the Future of Democracy, edited by Rachel Tausendfreund and published by the German Marshall Fund of the United States. The monograph is available for download at <http://gmfus.org>.*



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# *The Fires Next Time*

**By freezing premiums, California is forcing insurers to pay for fire damage they didn't cause. This could drive them out of business—to no one's benefit.**

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**By Richard A. Epstein**

California's insurance commissioner Ricardo Lara took the highly unusual step in December of instituting a one-year moratorium preventing the state's insurers from refusing to renew their homeowner's insurance policies. Homeowner's insurance rates had spiked in response to the \$24 billion in claims that these insurers had to pay to cover losses from the disastrous fires across California in 2017 and 2018. Heeding constituent calls, Lara aimed to protect homeowners who had "been dropped after decades of premium payment and loyalty." At a minimum, eight hundred thousand homes were covered by the new policy, with more to come.

The insurance companies, which suffer collateral damage from catastrophic losses not of their own making, loudly protested this move, but to no avail. It is easy to identify the parties responsible for these devastating

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losses. Start with Pacific Gas and Electric (PG&E), the heavily regulated public utility company, which agreed to a \$13.5 billion settlement to be paid for death, personal injury, and property damage claims from the 2017–18 wildfires. Next would be the California legislature, whose ham-handed regulations in the pursuit of “environmental justice” and “diversity and inclusion” have contributed to PG&E’s chronically poor performance. Nonetheless, a strong wall of government immunity for discretionary functions insulates the state treasury from all liability—yet another classic illustration of undue power without correlative responsibility.

The obvious scapegoat for government responsibility and public wrath is global warming. True to form, the *New York Times*, among others, treated the California nightmare as yet another example of the perils of

climate change, without offering a shred of evidence to support that conclusion. In fact, mountains of evidence point in the opposite

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***The moratorium makes it less likely that new homeowners will be able to get insurance at current market rates.***

direction. To most people’s surprise, global temperatures went down in 2017 and 2018. Whether or not part of a trend, the movement undercuts any claim about the short-term effect of global warming. In addition, there has been no substantial change in summertime temperatures in Northern California, where the fires raged. Global losses from natural catastrophes from all sources declined from \$350 billion in 2017 to \$160 billion a year later—a huge drop that cannot be explained by trivial annual changes in global temperature.

Meanwhile, it is easy to pinpoint the national and local policies that have turned public lands into tinderboxes. One illustration is the refusal of government regulators to follow sound forestry policies. As Republican congressman Tom McClintock noted in 2017, the extent of government mismanagement is evident from a simple aerial inspection: “The [privately] managed forests are green, healthy and thriving. The neglected federal forests are densely overcrowded and often scarred by fire because we can’t even salvage the fire-killed timber while it still has value.”

Climate change thus becomes a convenient scapegoat for the systematic failure of federal and state governments to adopt proven fire prevention strategies: power line maintenance, tree clearance, and the curbing of new housing developments in fire-prone districts.



***STAND BACK: A firefighter sprays water on a blaze in February. Insurers have paid \$24 billion in claims to cover losses from the California wildfires of 2017 and 2018. California lawmakers are trying to shift the risk of fire damage onto insurance providers.*** [Mark Rightmire—Orange County Register]

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## **INSTABILITY WORSENS**

Unfortunately, Commissioner Lara has no power to order the United States, California, or even PG&E to correct these systemic oversights. All he can do is shift the risk from beleaguered homeowners to cash-strapped insurance providers. But in so doing, he weakens California's immediate willingness to tackle the underlying problem.

Worse still, it is clear that his policies are likely to have ruinous consequences in both the short and long terms. Requiring insurance companies to renew current homeowner's policies at current rates does nothing to provide coverage for local commercial establishments. In addition, the moratorium makes it less likely that new homeowners will be able to obtain insurance at current market rates. Insurers will rightly fear that they will be locked into future policies at losing rates, thereby shifting the availability crisis to other segments of the market.

The homeowner's insurance industry is intensively competitive, and higher rates for coverage are now fully supported by the added economic risk. So how does Lara justify this moratorium? He claims that the moratorium will



give the insurance market breathing room to “stabilize.” But that won’t happen if this year’s losses drive more carriers over the brink. Lara also argues that the California insurance code allows him to reject applications for rate increases because state law requires future rates be based on prior losses, not anticipated ones. In stable markets that ploy would work, but after the experiences of 2017 and 2018, it is foolish for a regulator to ignore the new information that incontrovertibly shows the inadequacy of limited premium increases.

There is, accordingly, no way that traditional insurance principles can justify the moratorium. But from a political perspective, it makes sense. The

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***It’s easy to pinpoint the national and local policies that have turned public lands into tinderboxes.***

moratorium will force California insurers to shift the cost of insuring California homes onto their customers in other states. Once local revenues to

pay for California losses run dry, multistate companies will have to dig into their reserves accumulated from other states to pay California claims.

In effect, Lara’s decision lets the California legislature ignore a fiscal crisis of its own making. The state need not resort to begging its neighbors; the legislature could set aside funds to cover the premium shortfall. But as a political matter, raising taxes to offset the incompetence of state policies is a nonstarter. High taxes would be a public acknowledgement of the state’s policy failures, which can be conveniently concealed by the insurance rate moratorium, which then neatly exports those added costs to other jurisdictions.

## **A STARVATION DIET FOR INSURERS**

Should this brazen plan be allowed to proceed? Thus far the discussion has assumed that whatever the insurance commissioner says pursuant to state law is the final word on rate regulation. Historically, though, that has never been the case. The history of rate regulation shows that even today there is a constraint on just how far states can roll back the rates that regulated firms can charge.

Originally, rate regulation was properly confined to common carriers and public utilities. Its rationale was to serve as a counterweight to the monopoly power that these institutions, as sole suppliers, enjoyed against the public at large. Indeed, early rate regulation cases, such as *Smyth v. Ames* (1898), made it clear that the state could not impose confiscatory

rates on regulated businesses. Even today, under *Duquesne Light Co. v. Barasch* (1989), any state system of regulation must allow regulated firms to recover both their capital investments and reasonable rates of return over the life of their operations under some consistent system of regulatory accounting.

However, unlike common carriers and public utilities, the insurance industry is highly competitive, which is a good reason why it should not be subject to any rate regulation at all. But even with today's onerous regulations, important constitutional constraints on ratemaking remain in place. First, regulated industries cannot be forced to operate at a loss, which is exactly what will happen under Lara's decree, given that the firms will not be able to recoup the losses they will suffer in the coming years after the moratorium runs its course, if we are to believe it will run its course at all. Second, under *Brooks-Scanlon v. Railroad Commission of Louisiana* (1920), the Supreme Court, speaking through Justice Oliver Wendell Holmes, held that a "carrier cannot be compelled to carry on even a branch of business at a loss, much less the whole business of carriage."

The point of rate regulation is to control monopoly abuse to the extent that it is possible, not to create cross-subsidies that lead to overinvestment in some lines of business and underinvestment in others. That constraint is, if anything, more powerful in cases where the regulated industry is already competitive. Indeed, the proper rationale for insurance regulation is not to restrict rates—the

market does an adequate job of that already—but to make sure that the companies receiving premiums today will

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***The moratorium will divert the cost of insuring California homes onto customers in other states.***

remain solvent when they have to settle claims tomorrow. Given this, the major problem with Lara's decree is apparent: his starvation diet for insurance companies will increase the likelihood of insurer insolvency not only in California but across the nation.

In the end, the principled objections to this system of rate regulation have a strong constitutional pedigree. In *Calfarm Insurance Co. v. Deukmejian* (1989), the California Supreme Court unanimously struck down Proposition 103, which had preemptorily ordered a 20 percent cut in automobile insurance rates, which was said to be justified as existing rates had become "unaffordable and unavailable to millions of Californians." The cutbacks under Lara's moratorium could easily prove to be as large or even larger. In the one

case as in the other, public need may justify public subsidies. But such public need never justifies the targeted confiscation being attempted here. The California state legislature should not pass the buck. It should instead pony up the money to atone for its many sins. ■

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# Strange Defeat

**Douglas Murray, author of *The Strange Death of Europe*, worries that Europe may have become too exhausted by heedless immigration and self-doubt to defend its own culture.**

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**By Peter Robinson**

**Peter Robinson, Uncommon Knowledge:** We're in Fiesole, a town in the hills above Florence, Italy. Associate editor of *The Spectator*, Douglas Murray writes for a number of publications, including the *Wall Street Journal*. He is the author of a number of books, including *The Strange Death of Europe* (2017) and *The Madness of Crowds: Gender, Race, and Identity* (2019). Douglas, welcome.

**Douglas Murray:** It's a great pleasure to be with you.

**Robinson:** A quote from *The Strange Death of Europe*: "Europe is committing suicide. Or at least its leaders have decided to commit suicide. Whether the European people choose to go along with this is, naturally, another matter." The book appeared in 2017—what do you make of what the people are willing to put up with two years later?

**Murray:** I think it's now out in every European language, and I'm in a different country every week in Europe and elsewhere, so I get a pretty good sense of where things are. I would say there are several things. The direction of travel hasn't changed, but some of those in positions of power have done things that I

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*Douglas Murray is associate editor of **The Spectator**. His most recent book is **The Madness of Crowds: Gender, Race, and Identity** (Bloomsbury Continuum, 2019). Peter Robinson is the editor of the **Hoover Digest**, the host of **Uncommon Knowledge**, and the **Murdoch Distinguished Policy Fellow at the Hoover Institution**.*

was surprised they would be willing to do to slow it down. I'm thinking particularly of the fact that the book centers on the migration crisis of 2015, which I just see as a sped-up version of something that had been happening for decades.

**Robinson:** Again, I'm quoting from your book: "Europe today has little desire to reproduce itself, fight for itself, or even take its own side in an argument. By the end of the lifespans of most people currently alive, Europe will not be Europe and the peoples of Europe will have lost the only place in the world we had to call home." That's a very dramatic statement, but two years later you stand by that?

**Murray:** Absolutely. In the lifespans of most people, it'll be a different place. It already is. Sometimes when things happen relatively slowly, people get used to things; they adapt. I give the example of the latest census in the United Kingdom, which showed that in twenty-three out of thirty-three London boroughs, people who identify as white British are in the minority. So, that's a massive change in just one person's lifespan already.

**Robinson:** You write that this death of Europe has come about "because of two simultaneous concatenations from which it is now all but impossible to recover. The first is the mass movement of peoples into Europe." Tell us what happened in 2015. That was a sped-up version of what?

**Murray:** In the aftermath of the Second World War, most Western European countries decided that they wanted to invite migrant labor in to help rebuild. At the beginning, the idea was that they wouldn't stay, they'd go home after doing the job. Unsurprisingly, they did stay, at least large proportions of them did, and gradually people started to be brought in even if there weren't jobs for them. So, for instance, you imported large numbers of people from the Indian subcontinent to mill towns in the north of England when there were no mills anymore.

**Robinson:** And the thinking on that was?

**Murray:** I'm not sure there was very much thinking. It was what we call the cock-up theory of history: a succession of lazy and cowardly politicians who just found it easier to kick this one down the road and leave it to their successors to deal with. We kept changing the story of what we were doing as we were doing it. We moved from the guest worker period to the multicultural

**CIVILIZATION:** *To author Douglas Murray, "it seems to me, in this culture of hatred and this endless zero-sum hatred and bitterness and blame, it's important to turn that around and say, how about feeling grateful?"* [Andy Ngo—Creative Commons]







period, where we said, live in our country and pretty much do what you like, to the modern one, which is, become like us. Those are three totally different things, in the course, again, of one person's lifetime. And I blame no migrant for being confused by that, because we were confused.

But in 2015 we got to the height of total unregulated movement, with people fleeing the Syrian civil war, but then people from all across sub-Saharan Africa, North Africa, the Middle East, and the Far East. I started traveling to the camps in southern Europe where people were arriving, and I've been to many of the countries they were fleeing from. It was a veritable

United Nations of people. In the eyes of some governments and much of the public, it was all people fleeing the

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***“There’s a strange thing that has emerged, where we end up summing up ourselves by our collectively worst moments.”***

Syrian civil war, but it wasn't. By the EU's own figures, at least 60 percent of the arrivals in 2015 had no more right to be in Europe than anyone else in the rest of the world.

**Robinson:** The whole argument was that these people were fleeing civil war, and you're saying that 60 percent of them simply weren't.

**Murray:** A lot more than 60 percent. One Afghan refugee said to me, “Syrians have only been at war for five years. We've been at war for fifteen years. Why should they have priority?” Very good question. You get to the thing that all of the aid agencies, nongovernmental organizations, and others have been doing for years, which is to elide and rub out the difference between people fleeing war and people fleeing economic deprivation. One of the reasons I'm quite tough about this is because I know where that argument leads. Gallup in 2018 did a poll that showed that one-third of sub-Saharan Africans want to move. They're not going to go to Saudi Arabia. They're not planning to break in to Yemen. They want to come to Europe. In my view, the catastrophe underlying all of this is the presumption that every country in the world is basically a country for the people of that country, apart from Europe, and Europe is a place for the world.

**Robinson:** A few figures from the book. By 2015, more British Muslims were fighting for ISIS than for the British armed forces. By 2016, the most popular boy name in England and Wales was Mohammed. By the middle of this century, a majority of Austrians under the age of fifteen will be Muslims. And it is single-digit numbers of years ago that every one of those was unthinkable, correct?

**Murray:** If I didn't laugh, I'd cry. I've done the crying. I mean, the point about this is that, again, all of these things, you're meant to not notice. You're meant to not say it, either. You're meant to say, yeah, OK, so Mohamed happens to be the most popular boy name. What are you saying, bigot? What's wrong with that? All of these things, there has been an enormous cost that people have been made to pay if they observe what's in front of their eyes, and so we get used to this sort of period of lying. And that's what we've been in.

**Robinson:** What did Orwell say: it takes a great effort to see what is under one's nose?

**Murray:** Right.

## EXISTENTIAL FATIGUE

**Robinson:** Let's discuss the second concatenation. Again, I'm quoting you: "At the same time [that we've had this influx], Europe has lost faith in its beliefs, traditions, and legitimacy. Europe is now deeply weighed down with guilt for its past. And there is also the problem of an existential tiredness and a feeling that perhaps for Europe the story has run out and a new story must be allowed to begin." The German war guilt, that's clear. But why should Britain feel guilty or an existential fatigue?

**Murray:** There are several things. One is

the phenomenon that if you or I were to sum up all people across, say, Asia, as having responsibility for the same thing, people would say, madness. That's mad—you're not even picking out the important distinctions; you're being very generalizing. But you can do that with Europe. So, you can say, *we* did the Holocaust in Europe. You can even get away with that in London. Sorry, *we*? And post-colonial guilt is suffered in almost equal measure by, for instance, Britain, which undoubtedly ran quite a lot of the world in the past, and Sweden, which did not. So, there's a strange thing that has emerged, where we end up summing up ourselves by our collectively worst moments. The flip side of that is, we look at everyone else only by their best. So, in recent years, for instance, we've heard an awful lot about the Islamic neo-Platonists: the Islamic world is best represented by the neo-Platonists, whereas Europe is best represented by Auschwitz.

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***"We kept changing the story of what we were doing as we were doing it."***

**Robinson:** What's the parallel? Fifth-century Rome? Collapse of civilizational self-confidence? They could have kept the barbarians out of the city, but they permitted the city to be sacked for reasons that don't make any sense all these years later. You can see why Europe would have felt that the First World War was a catastrophe. The Second World War is in some ways a reparation, and in all the years since the war, the Germans have made this concerted effort to build a good society. There's been economic recovery of all kinds, and instead of feeling a sense of pride and accomplishment, it's just exhaustion. Why?

**Murray:** Almost everything is still behind crime scene tape. In the Middle East, most countries recognize borders to be a prerequisite for peace. If you don't have borders, you're in trouble. Europe thinks that borders are the

cause of war. That's just the beginning of geography problems. We had wars of religion before we had wars of nation-states, which means that religion

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***“We're making things that are undoubtedly hardware issues—gender and sex—into software.”***

also is to a great extent behind crime scene tape. In the twentieth century, it was Europe that came up with the twin nightmares of fascism and communism. So, we're very distrustful of not just politics and political ideas, but the philosophy and possibilities that might lead to them. It leaves you in this position where absolutely everything is still a crime scene, and you're trying to work out how it happened, and that's why whenever anyone mentions something like borders, Angela Merkel and everybody else in any position of power hears that strong borders would be a reason we go to war again.

I had a terrible moment of realization about this some years ago at a conference at Heidelberg when I realized that every single idea was off the table. Not only the ideas, the words. You couldn't say *culture*. I was in almost meltdown when I did. You can't use anything, because everything might make us do it all again. Well, it's not surprising in that situation that people would have a sense of weariness.

**Robinson:** Is there some connection between that and the drive toward the EU? That somehow or other we can escape our past, dissolve our historical identity, and wash away our historical guilt in this new entity?

**Murray:** There's that. Also, the EU provides something to do. I was having this debate a little while ago with a former Polish foreign minister, who said,

we've got to keep moving. The EU has to keep moving, it's got to have purpose, it's endlessly onwards. And my view, as a skeptic of that particular project, is how about that it moves until the point at which you lose the public?

## CLEARING A PATH

**Robinson:** You have a new book that just came out titled *The Madness of Crowds: Gender, Race, and Identity*. You write, "We are going through a great derangement. People are behaving in ways that are increasingly irrational, feverish, herdlike, and simply unpleasant." And you examine the identity politics of gays, women, racial minorities, and trans—and the ways in which they're all mad. So, gays: "The single factor that has most clearly helped to change public opinion about homosexuality in the West has been the decision that homosexuality is in fact a 'hardware' rather than a 'software' issue." Explain that.

**Murray:** Like everyone, I've been trying to work out why people have become so unhinged in recent years. It's not just social media. We've tried to make the fruits of a liberal, ethical system into the foundations of one.

I'm gay myself, and a supporter of gay rights. I think it's all good, but it's a great *product* of liberal rights; it's a hideous *foundation* for them. Same thing with, for instance, women's rights. I'm a great supporter of women's rights, but can it be the basis of a moral or ethical system?

The problem is something like this. One of the few things we can all agree on is that we shouldn't be mean to people because of something they can't help. It's one of the reasons why we dislike it when, for instance, somebody's rude about somebody

who's disabled or taunts them about it. It's a horrible thing to do. Now, things that people *can* possibly affect we're iffy on. There's a question.

It doesn't mean that we

should be rude or unpleasant, but we're in different terrain. So, most rights movements have moved towards this thing of "born this way," which means "nothing I can do about it, so be nice." And this has been adopted recently by the trans movement, which says, "we were born trans, from childhood we're trans, so be nice." We're making things that are undoubtedly hardware issues—gender and sex—into software.

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***"Some years ago at a conference at Heidelberg I realized that every single idea was off the table. Not only the ideas, the words. You couldn't say culture."***

**Robinson:** “Software” meaning malleable—things that can be changed by personal will, cultural environment, and so on.

**Murray:** Right. It’s why the trans issue, which is such a minority of a minority issue, has become so huge, because it’s demanding two things simul-

taneously. It’s saying something that we’re not sure about is absolutely fixed, and one of the very few things we are sure about, sex differences, for instance, is totally a

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**“It is, among other things, enormously demoralizing to people to be made to lie.”**

choice. You can be a woman this hour if you’d like. And that sort of thing is deranging for a public, because it’s asking us to take part in something we know to be a lie. And it is, among other things, enormously demoralizing to people to be made to lie.

**Robinson:** It’s almost as though there’s no cultural immune system. What would have been scoffed at a single-digit number of decades ago is now championed by the BBC, without any scientific evidence. Why? What eliminated the cultural immune system to craziness?

**Murray:** The first thing is, all the adults left the room. That’s a big problem. It became increasingly hard, second, to hold concrete ideas up in public. People can sustain the most extraordinary abstract ideas, we see it every day, but they’re finding it extremely hard to hold on to concrete ideas because the concrete idea can have a personification right in front of you in the age of social media. So, you’re not talking about people in the abstract, the person is there. You’re talking about *this* person, for instance. It’s rather like borders. People find it hard to hold on to the hard concepts.

But there are a whole set of other things as well. One is, and I think this is absolutely crucial, we shouldn’t underestimate the move that has been played by what was a very fringe movement in academia that is now absolutely rampant across America and Europe, which is sometimes called social-justice warriorism or intersectionalism. We didn’t take this very seriously, but it should be taken seriously in my view, because it’s probably the single idea, since the Cold War ended, that has made most headway and which makes the largest claims for itself. It’s an attempt to endlessly inject women, gays, race, trans, and so on into every single public discussion and political discussion. It’s everywhere.

People have been saying to me for years that it's just a bit of academia and you over-focus on that. It's just some West Coast liberal loopiness. No. Almost every multinational corporation and every government now has the commitment to being diverse—being absolutely woke, as we call it—on all of these issues. The problem is, I think it's going to undo all the good that was done.

**Robinson:** You're saying that universities are actually acting as transmission belts for lunatic ideas across the rest of the culture, to major corporations, to the media. How did that happen? Now they're dangerous.

**Murray:** I think there's an extraordinary lack of courage in our cultures at the moment, and the simple courage to say what's true. And this has an extraordinary effect, because of course it means that you weigh up whether or not you should go with a mob mentality if there's basically no benefit to telling the truth but there could be a huge personal cost. Is it worth doing or not? Take what happened to Bret Weinstein at Evergreen State College, who refused to take part

in a racist endeavor that the college wanted everyone to take part in, which was to make all white people leave

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***“There's an extraordinary lack of courage in our cultures at the moment, and the simple courage to say what's true.”***

campus for the day. He and his family ended up being drummed out not just of the university but of town. If you were another academic who thought, I'm not sure I want to go in with this new era of race baiting that's disguised as anti-racism, and you saw what happened to Bret Weinstein, would you do what he did? Almost certainly not. And this isn't because most academics are cowards, it's that most people are. Most people aren't in a position in their lives, in their jobs, with their mortgages, to take risks.

I discovered when writing *The Madness of Crowds* that there's a British army device called the Giant Viper, which you pull on the back of a truck to a minefield, and you fire this missile, and it's got a long hose at the back filled with explosives, and it falls across the minefield very beautifully and then explodes. It can't clear the whole minefield, but it can clear enough room for trucks to cross. The point of me writing *The Madness of Crowds* was to be this Giant Viper: I want to try to clear a path for other people to be allowed to cross. I think that's what people need to do at the moment. We need to open up a path for sensible people to be able to say things about sex, the relations between the sexes, and much more, that we all knew until yesterday.



**Robinson:** The madness that you just described, what do Muslims make of this when they watch all this? Their population is growing in Africa and the Middle East. What comes across to us every so often, in videos and so forth, is some imam denouncing the West as decadent. If cultural decadence means anything, it means something pretty close to what you were describing. What I'm worried about is that conservatives find themselves edging toward the position of saying, well, those Muslims have a point.

**Murray:** You can hear that already in Europe and a little bit of it in America as well. It's not an attractive route to go down. And I would warn people against it, but you can see people doing it.

There's a school in Birmingham, England, where last year lots of parents protested outside the school because they didn't want their children to be taught about being gay in sex education classes. And I know quite a lot of people, including social conservatives, who asked which side we should be on.

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***“We need to open up a path for sensible people to be able to say things about sex, the relations between the sexes, and much more, that we all knew until yesterday.”***

If a culture pretends that it is this cheap, ridiculous, highly sexualized, race-obsessed, totally self-contradictory thing, then it's hardly surprising if it doesn't survive, and it doesn't particularly

deserve to. My own view has always been that it's just absurd to think that this is the sum of what we've had, and that's the obscenity of this. I want young people, in particular, to get shortcuts out of this madness. How to just get that out of your brain and get on to the life you need to live? One of the things I keep coming back to is that we should have been asking this question much more all these years: compared to what? So, if there is a Muslim protest outside the primary school, because they don't want them to learn anything about being gay, find out what they *do* want, and if it's that they want Saudi mores and punishments on these sorts of things, then it's as well to have that out, because then we can make a clear decision.

When people tell us what a patriarchal and bigoted society we live in, and how terrible it is, and how there's a war on women and a war on gays and a war on trans and a war on blacks and a war on everybody and against everybody else—compared to what? Where's your place? Where's your nirvana? Because if you can't point to something that's at least semi-nirvana-like, then I see no reason why we should try this wholly new experiment. If we keep

saying “compared to what?” we know what we’re running against, and we know what they’re trying to do. But at the moment, we’re just in this fog of not realizing the seriousness and the specific nature of the attempts that are being made to totally undermine, rewrite, and destroy everything that I think people of any political direction in our countries would have thought of, until recently, as at least a pretty good deal.

## ATTITUDE ADJUSTMENT

**Robinson:** You’ve said this is almost impossible to reverse, but what are the components of fighting back? How do right-minded Europeans somehow or other try to keep the culture alive?

**Murray:** This can’t be done by government diktat. It can’t be done because the president of the United States or the prime minister of Great Britain says that it should be so. There are certain things they could *not* do that might make it easier, but this just comes from people. It comes from individuals and people leading by example.

One of the things I wish one could communicate better to people is that all the things that they think are excluding people are not, they’re offering people the best chance they’ll ever have in their lives to get to civilization, or civilization to get to them. And when people rail against things like this city we’re sitting in—thinking that it epitomizes capitalism, patriarchy, racism, and more—I wish more people could take the attitude that I’ve taken throughout my life to these things, which is that you don’t have to be a wild, flag-waving patriot or anything like that. But your attitude should be gratitude.

It’s not as if this is nothing. The city we’re sitting in is enough for a whole lifetime, and a very well-lived lifetime. It’s all there—the literature, books, art, thought, music, everything—and all you have to do is to reach out and take it and be part of it. It seems to me, in this culture of hatred and this endless zero-sum hatred and bitterness and blame, it’s important to turn that around and say, how about feeling grateful? Because what we have is a blip in human history, and we would be so damn stupid to give it away for nothing. ■





# “Of the Elites, by the Elites”

**George Will** does battle with the administrative state in *The Conservative Sensibility*.

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**By Russell Roberts**

**Russell Roberts, EconTalk:** My guest is George Will—this is his third appearance on *EconTalk*. His latest book is *The Conservative Sensibility*, which is our topic for today. Your book is a rather extraordinary work of scholarship and entertainment. It’s a survey of American history, economic and cultural history, and of American political thought. Early on in the book you set up a conflict or contrast between what you call the Madisonian and Wilsonian traditions. And you cast this as the debate that we’re still having in America. Why is that the right way to think about it, and what do you mean by that?

**George Will:** Well, first, this is kind of fun, because there were two Princetonians involved: James Madison of the great class of, I believe, 1771, and Woodrow Wilson of the class of 1879. So, it’s tidy. Beyond that, it’s accurate. Which is to say that Madison, who I think of as the best political philosopher/practitioner since Aristotle, said: First of all, there are such things as natural rights. Hence, there is such a thing as a human nature that is fixed and settled, not plastic to the touch of culture or government. We’re more than culturally acquiring creatures that take on the coloration of whatever social

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*George Will’s latest book is **The Conservative Sensibility** (Hachette Books, 2019). **Russell Roberts** is the John and Jean De Nault Research Fellow at the Hoover Institution.*

situation we're in. And third, from this flows the most important principle, which is separation of powers: to make government strong enough to protect our natural rights, but not so strong that it threatens them.

Woodrow Wilson, as the first self-consciously and theoretically progressive president, rejected those premises. If there's not a fixed human nature, that gives government an enormous new project, which is to make people better as creatures by making the social promptings around them better. Therefore, natural rights are a fiction and not a useful one. And, finally, as you would expect from someone who starts wrong, he winds up really wrong, by saying that separation of powers is an anachronism that was suitable when America had four million people, 80 percent of whom were living within the Atlantic tidewater on the fringe of an unexplored continent. But, said Wilson: now that we are a great nation united by steel rails and copper wires, we need a nimble government that can act with dispatch. And that requires marginalizing Congress and celebrating a kind of watery Caesarism in the modern presidency.

**Roberts:** And I think you would agree—I'm sure you say so somewhere in the book—that we are living in Wilson's world. Not the world where human nature is plastic, but the world where government has expanded way beyond what Madison would have wanted.

**Will:** Yes. The Progressives have been winning for a century. Until along came the conservative sensibility that changed the tide of history, and all that. [Laughs.] No, it's

been a remarkable success, partly because the Progressives knew what they were doing. They had ideas, and they knew

how to implement them. They had developed an intellectual infrastructure, in academia and elsewhere. For a very long time, if you wanted an advanced degree in the United States, in, say, the second half of the nineteenth century, you went to Germany. Wilson didn't, but a number of his teachers at Johns Hopkins had done so. And there they acquired two things: a kind of Hegelian mysticism about history—that history was a proper noun, history with a capital "H," history with its own autonomous unfolding logic. And they came back with a somewhat entailed admiration for Bismarck's bureaucracy, as the administrator of the unfolding wisdom of history. Americans imbibed this, not least Woodrow Wilson as a graduate student at Johns Hopkins.

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***“We're more than culturally acquiring creatures that take on the coloration of whatever social situation we're in.”***



***“CULTIVATE DYNAMISM”***: Author and journalist George Will speaks at FreedomFest 2018 in Las Vegas. His latest book explores efforts “to make government strong enough to protect our natural rights, but not so strong that it threatens them.” [Brian Cahn—ZUMA Press]

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## THE CONSERVATIVE INTERRUPTION

**Roberts:** You talk about the conservative sensibility that came along as a counterweight to that Wilsonian tradition, thinking I assume of Margaret Thatcher in the United Kingdom and Ronald Reagan here in the United States. You refer to Barry Goldwater as an important intellectual precursor—a failure electorally, but then setting the stage for Reagan.

**Will:** It would be a stretch to refer to Barry as an intellectual precursor. Barry was, as someone described, a “cheerful malcontent.” What he wanted was to revive the vocabulary of wide-open spaces, Southwestern individualism, and the founders—which he did. He famously did not write (but presumably read) *The Conscience of a Conservative*. It’s probably the most important campaign book ever published. It sold millions, and other millions were given away. So, I’ve interrupted you not to disparage Barry, but to defend him against the slur that he was an intellectual.

**Roberts:** Well, I mention it because I went back at some point and read his 1964 acceptance speech at the Republican Convention, and it’s shockingly

erudite compared to today's speeches, which are mainly just a set of noises punctuated by jeers.

**Will:** Partly because he had the good sense to have among his speechwriters Harry Jaffa of Claremont University, who was the author of the great book on Abraham Lincoln, *Crisis of the House Divided*.

**Roberts:** What I was going to say about that conservative interruption of the Progressive movement—and I want to put this in a broader context—is that a lot of people on the left will decry the Reagan years and “neoliberalism,” or what’s sometimes called free market dogma. They’ll blame certain things on Milton Friedman and F. A. Hayek. And I look back at the last half of the twentieth century, and I see a speed bump that the Reagan revolution put up, or that Milton Friedman put up. When I hear these complaints, I always think, “I would

like to live in the world they think we live in,” which is a world where government got small and markets were relied

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***“Conservatism, as I understand it, and as I write about it in my book, is right now persuasion without a party.”***

on with faith. That’s not the world we live in. The Wilsonian vision has seen a pretty steady increase. There have been ups and downs, but there’s a large secular trend toward bigger government and more-intrusive government. There were a few step-backs of deregulation in the late 1970s and early 1980s with Jimmy Carter and Ronald Reagan. But, overall, government just gets bigger and more intrusive. And so, I think Wilson won, which bothers me, as it bothers you. And yet I have to concede that life in the United States overall is pretty good. So, that’s a challenge to your view and mine.

**Will:** It is. Ronald Reagan’s complaint was not so much with the New Deal as with the Great Society. I think Reagan looked at the great achievement of the New Deal, which was Social Security, and said, OK, government knows how to do this. You identify an easily identifiable cohort—the elderly—and you write them checks and stick them in the mail. What government does *not* know how to do is deliver Head Start and model cities and things like that. Something fundamentally changed in 1965, when the anti-Goldwater landslide produced the first Democratic, liberal-legislating majority in Congress since Franklin Roosevelt lost it after trying to pack the Supreme Court. Government lost all sense of limited bearings, in terms of its proper scope and actual competence.



And what fell is what James Q. Wilson, the greatest social scientist of the second half of the twentieth century, called the “legitimacy barrier.” Before then, when Congress wanted to do something, they tried to locate it in an enumerated power of the Constitution. From then on, there were no restraints on the government.

What happened in the 1960s was that social scientists became intoxicated with the idea of direct transmission of social science into policy, ignoring the wisdom of Wilson, who said: social science cannot tell us what to do; it can

tell us the results of what we are doing. And what we were doing was disappointing. Hence, along came the wonderful journal, *The Public Interest*,

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**“Government lost all sense of limited bearings, in terms of its proper scope and actual competence.”**

with a very small readership, but very distinguished authors—Wilson, Daniel Bell, Pat Moynihan, Nathan Glazer, and all the rest. And we began to have a serious argument about, as I say, the actual competence of government.

## **FREEDOM TO GROW**

**Roberts:** Here’s the irony, for me. We—whether we call ourselves classical liberals or conservatives or libertarians—want smaller government than the one we have. We’ve lost most of that debate. At the same time, the standard of living in the United States has risen steadily. There have been so many improvements in the quality of life. How do we square that with the size and intrusiveness of government? The increased red tape? The decrease in effective property rights? Maybe you and I should just change our mind?

**Will:** Ha ha. Don’t hold your breath.

First, the happy lesson of this is that it’s really hard to prevent the American people from creating wealth. We’re entrepreneurial. We’re individualists. We’re restless. We’re mobile. At least we used to be. When the Dust Bowl and the Great Depression hit Oklahoma, in John Steinbeck’s novel, *The Grapes of Wrath*, the Joad family went to California in search of work, and found it. Today, people are much less mobile, much less apt to move, because they are entangled in a web of local government service provisions. And this immobilizes them. These provisions aren’t sufficiently portable. But there’s more to it than this. We’ve seen American growth slow, to the point at which steady 3 percent growth seems to be a utopian aspiration. It seems to me reasonable

to say that one reason for the sluggish economic dynamism has been the suffocating effect of state intervention. Because governments intervene precisely because the political class finds the economically efficient allocation of resources morally offensive.

**Roberts:** The current economic system has quite a bit of economic freedom and opportunities for innovation and entrepreneurship. And yet, at the same time, a sort of Gulliverian set of cords holding things back. I recently looked at what it takes to put up a building in San Francisco. It's frightening and extraordinary. It's, of course, subject to the rule of men, not the rule of law.

**Will:** We built the Empire State Building from a hole in the ground to topping it off in 410 days, during the Depression. We built the Pentagon—the world's largest office building—in sixteen months, during a war. That's the way it used to be when we could do things.

**Roberts:** So, we've got some freedom but lots of additional restraints. Yet, I would argue that for well-educated children growing up in two-parent homes, life's really good.

**Will:** It *is* good.

**Roberts:** More than good, of course. Not just materially lovely, but an opportunity for people to flourish—the word you use in your book—to use their skills, dream, have a sense of self-respect and dignity. But there's a large group of people—something like 15–20 percent of the population—that's being left behind. They get a horrible education and grow up in a very unproductive and unencouraging culture. It used to be in the inner cities, now it's also in many rural areas. You talked about the entanglements of state benefits. We've also, of course, made it expensive to land somewhere else, because we've made it extremely hard to build those buildings in America's cities, where opportunity is still quite available. So, it seems to me that the Wilsonian project, ironically, has been great for the elite and the bulk of people, but really punishing and destructive for the people who struggle.

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***“The happy lesson of this is that it's really hard to prevent the American people from creating wealth.”***

**Will:** Progressivism was exactly a doctrine of the elites, by the elites, and for the elites. Their objection to market society was that markets function so

annoyingly well, without the supervision of intellectuals. Therefore, Progressives were needed to run the administrative state—they didn't use that term, but they set about building it without denoting it. Therefore, it's not an irony but natural that Progressivism has been good for the cognitive elites. And we have an increasingly cognitively stratified country. There's no question about that. The market is saying at the top of its lungs, "stay in school." Those who acquire cognitive skills flourish in America today. Those who don't, don't.

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***"The political class finds the economically efficient allocation of resources morally offensive."***

My grandfather was a Lutheran minister in Donora, Pennsylvania. I'm really familiar with the Monongahela Valley and what happened to the

steel industry. What happened to towns like Donora is devastating, but the steel jobs aren't coming back. Period. I remember when John McCain, to his great credit, as a candidate in 2008 for the presidency, went to Michigan and said: the automobile jobs are not coming back. Some have gone to Mexico; some have gone to South Korea; some have gone to South Carolina.

**Roberts:** Some have gone to robots.

**Will:** Sure.

**Roberts:** Today, people who would identify themselves as progressives purport to be concerned about the people at the bottom. So, I think one of the challenges of "our side" is: what's the market going to do for those folks? The progressive side wants to give them a check. I get that, but I think that's the road to a very nonflourishing world and a dangerous world.

**Will:** Well, they want to give them more than a check. And here there is a complete convergence between the Trumpian right and the progressive left. The progressive left wants to give them a check, but it also has no principled objection to protectionism. What the Trumpian right and the progressives want is to pull up the drawbridge, raise the walls, and somehow coerce the manufacturing jobs back to the United States. We have people in the White House who talk about repatriating our supply chains. Now, these people have no clue what the supply chain of a Boeing Dreamliner looks like, or even a much simpler gadget like an iPhone. Trying to repatriate Boeing supply chains would simply make Airbus the indisputable winner in the commercial aviation competition.

**Roberts:** Well, they can fix that too. There's no end to what you have to adjust once you start fiddling. I think maybe that's a feature, not a bug, for some folks. But I do believe that one of the challenges for people on the right today who have become less enamored with market outcomes than they once were, is that they seem to think there is a dial called "How much market you have." It goes up to eleven, but you can turn it down smoothly and continuously. Of course, it doesn't work that way. You've got to intervene in a patchwork way that will inevitably be driven by cronyism. It's an appalling picture. But there is a certain aspect to your and my view of this that is a little bit utopian, which is that we do see a certain cliff coming—whether it's the cliff of debt, the cliff of dysfunctional cities, or the cliff of an economic system that is so gridlocked by regulation and industrial policy that it stops producing anything close to 3 percent—but it's not here yet. So, we're standing here, Cassandra-like, and people are kind of dismissive of us.

**Will:** Barack Obama was, I believe, the first president in American history to serve eight years and not have a single year of 3 percent growth. While steady 3 percent growth has become a receding dream, we have been increasing the enormous calls we've made on the future productivity of this country through the entitlement programs' promises. We have no choice but to cultivate economic dynamism, with all its frictions, understanding that creative destruction, as Schumpeter's term has it, is both creative and destructive—with casualties. We have to understand that.

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***“Progressivism was exactly a doctrine of the elites, by the elites, and for the elites.”***

But, again, we made the choice of Social Security, Medicare, and Medicaid. We have attached the most rapidly growing portion of our population (the elderly) to our most dynamic science (medicine) as an entitlement. We have to live with this. We can't take that back, politically. Intellectually, we can't solve this without rapid economic growth. But protectionism is a recipe for sluggishness. Protectionism is government allocating wealth and opportunity, not as the market would—that is, not efficiently but politically. That's why we're in for a downward spiral and increasingly bitter politics of distributive arguments.

In 1900, the American people spent twice as much money on funerals as on health care. If we'd had national income statistics back then, the health care sector would have been too small to take cognizance of. Today, of course,

it's 18 percent of the economy. Our health care sector is larger than all but four nations' economies. In 1900, only 17 percent of deaths were people over age sixty-five. Today, it's 75 percent. In 1900, 37 percent of all deaths were from infectious diseases. Today, it's 2 percent. We've changed medicine from

conquering infectious diseases to managing chronic ailments. Longevity is a tremendous social achievement—the greatest achievement of the twentieth century. Helped

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***“Protectionism is government allocating wealth and opportunity, not as the market would—that is, not efficiently but politically.”***

along by the greatest device of the twentieth century, antibiotics. But now here we are. We've made these promises to ourselves, with an aging population attached by an entitlement to this dynamic science—

**Roberts:** An attachment that lets the elderly put their hands in the pockets of taxpayers.

**Will:** Precisely. One of the amazing things about modern America is that we haven't had explicit generational conflict.

**Roberts:** It's coming.

**Will:** It *is* coming, because the elderly are looting the futures of the rising generation.

**Roberts:** That conflict isn't the one I'm most worried about. The one I'm most worried about is the Wilsonians against the Madisonians. Or maybe there's a third group in there. Because there's this new phenomenon in conservatism, or at least in the Republican Party, which is populism/nationalism/Trumpism—whatever you want to call it. I don't see a healthy future for the United States, in the sense of a shared vision of what our country is.

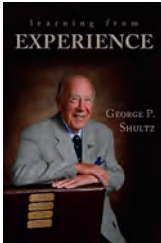
Do you think there will be a new political party in America? Do you think the Republican Party will just morph into something totally different now?

**Will:** Conservatism, as I understand it, and as I write about it in my book, is right now persuasion without a party. Now, that's not the end of the world. What conservatives have to do is try and regain a foothold in the Republican Party when there's some space left in the party. Or dissent. Right now, the Republican Party is more homogenous than it has been in a century, partly because a large number of Republican officeholders have no ideas other than

the fact that they'd rather like to be in office, and partly because they are afraid of the forty-fifth president. But this will not always be the case.

And we can say with confidence that the departures from the conservatism that I advocate have consequences. And they are unpleasant. They are slower economic growth and bitter redistributive politics. And people will grow weary of both. At which point, people are going to pick up their copies of *The Conservative Sensibility* and say, "Ah. We made a wrong turn." ■

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# “It’s Hard Work, Building a Country”

In American public life, Hoover fellow **Jim Mattis** reminds us, disagreement is forgivable but despair is not.

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*By Jim Mattis*

**I**n 1838, Abraham Lincoln gave a speech to the Young Men’s Lyceum in Springfield, Illinois. The subject was citizenship and the preservation of America’s political institutions. The backdrop was the threat posed to those institutions by the evil of slavery. Lincoln warned that the greatest danger to the nation came from within. All the armies of the world could not crush us, he maintained, but we could still “die by suicide.”

And now, today, we look around. Our politics are paralyzing the country. We practice suspicion or contempt where trust is needed, imposing a sentence of anger and loneliness on others and ourselves. We scorch our opponents with language that precludes compromise. We brush aside the possibility that a person with whom we disagree might be right. We talk about what divides us and seldom acknowledge what unites us. Meanwhile, the docket of urgent national issues continues to grow—unaddressed and, under present circumstances, impossible to address.

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Contending viewpoints and vocal dissent are inevitable, and not the issue. More than a year ago I stepped down from the best job in the world, secretary of defense, over a matter of principle because of grave policy differences with the administration—stating my reasons in a letter that left no room for doubt. What is dangerous is not that people have serious differences. It is the tone—the snarl, the scorn, the lacerating despair.

Are we unaware of the consequences of national fracturing and disunity? Do we want to bequeath such a country to our children? Have we taught them the principles that citizens of this democracy must live by? Do we even remember those principles ourselves?

Here is what we seem to have forgotten:

» **America is not some finished work or failed project but an ongoing experiment.** And it is an experiment that, by design, will never end. If parts of the machine are broken, then the responsibility of citizens is to fix the machine—not throw it away. The founders, with their unsentimental assessment of human nature, brought forth a constitutional system robust enough to withstand great stress and yet capable of profound correction to address injustice. (These include the Thirteenth Amendment, which abolished slavery, and the Nineteenth Amendment, which gave women the right to vote.) The scale of the founders' achievement was unprecedented. Except in small pockets here and there, a democratic system such as ours had never before been tried; the founders applied it to a nation that would soon span a continent. I think of our own document's durable capacity when I consider the travails of the United Kingdom, which lacks a written constitution. The lesson is not that we can sit back in relief. It is that we must continue conducting the experiment.

» **Defects are part of the human condition.** In a way, this is good news. Our imperfections can—and ought to—draw us together in humility, realism, patience, and determination. No one has a monopoly on wisdom or is free from error. Everyone benefits from understanding other points of view. The foundational virtue of democracy is trust—not trust in one's own rectitude or opinion, but trust in the capacity of collective deliberation to move us forward. That kind of trust is diminishing. About two-thirds of Americans in a recent Pew survey expressed the view that declining trust—in government, in one another—is hampering our ability to confront the country's problems. Yet trust is not gone. It binds the military, as I've seen firsthand in locales as varied as Fallujah and Kandahar, Fort Bragg and Coronado. It exists, in my personal experience, among members of the Intelligence Committee in the Senate and members of the Armed Services Committees of both houses on Capitol Hill—remarkable outliers in an otherwise poisonous environment.

Trust is not some weather system over which we have no control. It is a decision about conducting the nation's business that each of us has the power to make. Building trust means listening to others rather than shutting them down. It also means looking for the right way to define a given problem—asking questions the right way so as to enlist opponents rather than provoke them. There's a famous observation attributed to Einstein: "If I had an hour to solve a problem, I'd spend fifty-five minutes thinking about the problem and five minutes thinking about solutions." Too often we define our great national challenges—climate change, immigration, health care, guns—in a way that guarantees division into warring camps. Instead we should be asking one another: What could "better" look like?

» **Acting wisely means acting with a time horizon not of months or years but of generations.** Short-term thinking tends toward the selfish: better get mine while I can! Long-term thinking plays to higher ideals. Thomas Jefferson's idea of *usufruct*—in his metaphor, the responsibility to preserve fertile topsoil from landowner to landowner—embodied an obligation of stewardship and intergenerational fairness. Our founders thought in centuries. Such thinking discourages shortsighted temptations (such as passing an immense burden of national debt onto our descendants) and encourages the effective management of intractable problems. It conditions us to take heart from the slow accretion of small improvements—the slow accretion that gave us paved roads, public schools, and electrification.

I remember being a boy in Washington state and the sense of wonder I felt as bridges replaced ferries on the Columbia River. I remember my grandfather pointing out new power lines extending into our rural part of the state. I think often of the long history of nuclear arms control. Steady diplomatic engagement with Moscow over five decades—pursued until recently—ultimately gave us an approximately three-quarters reduction in nuclear arsenals, and greater security. Here's the not-so-secret recipe, applicable to members of Congress and community activists alike: set a strategic goal and keep at it. Former secretary of state George Shultz, using his own Jeffersonian metaphor, likened the effort to gardening: a continual, never-ending process of tilling, planting, and weeding.

» **Cynicism is cowardice.** We all know cynics. From time to time, we all fall prey to cynicism. But cynicism is corrosive when it saturates a society—as it has long saturated Russia's, and as it has saturated too much of ours. Cynicism fosters a distrust of reality. It is nothing less than a form of surrender. It provokes a suspicion that hidden, malign forces are at play. It instills a sense of victimhood. It may be psychically gratifying in the moment, but it solves nothing.

» **Leadership doesn't mean someone riding in on a white horse.** We're deluding ourselves if we think one person has all the answers. In a democracy,

real leadership is slow, quiet, diplomatic, collegial, and often frustrating. I will always associate these qualities with General Colin Powell, a personal mentor who understood that to lead also means to serve. A leader, Dwight Eisenhower noted, is not someone who barks “rise” or “sit down.” Leadership, he said, is “the art of getting someone else to do something that you want done because he wants to do it.” And it’s a two-way street. As Eisenhower put it, one thing every leader needs is “the inspiration he gets from the people he leads.”

» **Achieving results nationally means participating locally.** The scale of the country’s challenges can seem so vast that only grand solutions offer any hope of meeting them. We give up on singles and doubles, hoping some slugger will come along and swing for the fences. This is wrong on two counts. First, the steep decline of democratic participation is itself one of our central challenges, reflecting a loss of conviction that government is actually in our hands. Only participation can solve the participation problem. Second, the impact of participation trickles up. Rosa Parks didn’t start out by taking on all of Jim Crow; she started out by taking a seat on a local bus. National efforts on the environment, health care, highways, the minimum wage, workplace safety—all got their start in one state or another.

And Washington isn’t synonymous with America, anyway. Community life is sustained locally, not only through government but through a wealth of civic associations that depend on the participation of ordinary people. The president famously possesses a bully pulpit, but the impetus for change just as often comes from the pews.

» **The “bonds of affection” Lincoln spoke about are paramount.** Maybe it’s a byproduct of our success as a nation that Americans take for granted what we have in common. The freedoms we enjoy. The traditions we celebrate. Our rough-and-tumble sense of humor. We need one another the most at moments of crisis, and historically we have come together at such moments—after Pearl Harbor, after 9/11. The adversity of economic depression and world war served as a crucible for an entire generation of men and women who created and sustained a stable world for half a century. Today we are coping with the consequences of pent-up neglect and intensifying tribal warfare, not of sudden attack. But we face a crisis nonetheless. The surest path to catastrophe is to sever those bonds of affection.

» **Our core institutions have value, even if all institutions are flawed.** We live in an anti-institutional age. The favorability numbers of virtually every institution except the military are low, and dropping. (John McCain once told me that the only people who liked Congress were family members and salaried employees. His wife, Cindy, turned to him and jokingly said, “Don’t count on

family members.”) For all their imperfections, institutions are the best way to transmit what is good down the corridors of time. Civilization is more fragile than one might think; during my career in the military, I saw it destroyed in front of my eyes. We need to make institutions better and stronger, not tear them down. Virulent, take-no-prisoners attacks on the media, the judiciary, labor unions, universities, teachers, scientists, civil servants—pick your target—don’t help anyone. When you tear down institutions, you tear down the scaffolding on which society is built. Allowing institutions to erode—as we have allowed our educational system to erode—is as bad as tearing them down.

I have visited schools and spoken with students. I worry not only about budget cutbacks and funding inequities but also about classroom content. A proper understanding of our national story is absent. Students come away well versed in our flaws and shortcomings. They do not come away with an understanding of our higher ideals, our manifest contributions, our revolutionary aspirations. They do not come away with an understanding of the basic principles I have outlined. Or with an appreciation of how a thoughtful and clear-eyed person can also be—and indeed must be—a patriot.

Every generation since the Revolution has added to the legacy of the founders in the endless quest to make the union “more perfect.” And every generation shoulders a responsibility to pass along our freedoms, and the wherewithal to secure and enhance them, to the next generation. Having traveled during the past few months to every corner of the country, I know that Americans in general are better—kinder, more thoughtful, more respectful—than our political leadership.

But are we truly doing our duty by future generations? For too many, *e pluribus unum* is just a Latin phrase on the coins in their hands—not a concept with a powerful moral charge. It is hard work, building a country. In a democracy, it is noble work that all of us have to do. ■

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# “Inequality” as a Cudgel

**Governments crave power, and radical egalitarians are only too eager to supply it.**

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**By Bruce S. Thornton**

**T**he Democratic presidential candidates have carried out a heated bidding war for voters, proposing policies with price tags in the trillions of dollars. Elizabeth Warren announced a plan to spend \$49 trillion over the next decade on “Medicare for all” and wholly subsidize college tuition, among other government transfers. Bernie Sanders doubled down by pledging \$97.5 trillion. And lurking in the background is the “Green New Deal” fantasy, estimated to cost anywhere from \$51 trillion to \$93 trillion over ten years.

Such promises are typical of the bribes politicians promise voters. In the past, these promises by progressives have led to many costly, budget-busting programs put in place with the help of establishment Republicans who accepted the assumptions of big-government technocracy. As a result, we see the accelerating approach of a fiscal shipwreck where debt, deficits, and entitlement spending will collide with the demographic iceberg.

Since simple math, prudence, and common sense are ignored by these latest schemes to rob selected Peter to pay collective Paul, we have to excavate

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the underlying, ancient ideas that have driven the progressive program for nearly a century. We can start with the shibboleth of “income inequality,” which is the “crisis” that serves a much more sinister notion: radical egalitarianism, a favorite instrument of the tyrant.

First, we should point out that “income inequality” is a statistical artifact that doesn’t capture the reality of America’s economic condition. A recent *Wall Street Journal* column by Phil Gramm and John F. Early marshals the data refuting this popular progressive canard. According to census data for 2017, the top 20 percent of earners have seventeen times more income than the bottom quintile. But as Gramm and Early write, “The measure fails to account for the one-third of all household income paid in federal, state and local taxes. Since households in the top income quintile pay almost two-thirds of all taxes, ignoring the earned income lost to taxes substantially overstates inequality.”

The census data also fail to include the annual \$1.9 trillion redistributed to American households, mostly to the bottom quintile, 89 percent of whose resources come from ninety-five federal programs that transfer wealth. And 80 percent of this wealth comes from the top 10 percent of taxpayers. Even after considering the state and payroll taxes the bottom quintile pays, when these transfers are added to household income it jumps from the official \$4,908 to \$50,901. As Gramm and Early conclude, “America already redistributes enough income to compress the income difference between the top and bottom quintiles from 60 to 1 in earned income down to 3.8 to 1 in income received.”

Clearly, “income inequality” is about something else.

## **A BIG (FEDERAL) STICK**

Radical egalitarianism has been the bane of representative democracy for twenty-five hundred years. The Greeks changed the world when they invented constitutional government, in which the people are citizens ruled by law rather than subjects ruled by force. Even more transformational was ancient Athens, the first state to empower the masses, including the poor, and give

***ROUGH RIDER: Teddy Roosevelt speaks to an audience in Hackensack, New Jersey, in 1912. The former president's breakaway Bull Moose Party, though unsuccessful at the ballot box, nonetheless laid out the aims progressives still pursue today, centering on “a far more active government interference with social and economic conditions.”*** [JT Vintage/Glasshouse—ZUMA Press]

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them political equality. Yet it soon became clear that there was a pernicious consequence to this development.

Aristotle said the tendency to radicalize equality arises “out of the notion that those who are equal in any respect are equal in all respects; because men are equally free, they claim to be absolutely equal.” Since, however, talent, virtue, and industry are not equally distributed, people’s innate envy

and resentment will demand that power be used to force equality. And the greatest, most visible sign of inequality is that of property: “From

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***“Income inequality” is the purported crisis that serves a much more sinister notion: radical egalitarianism.***

the protection of different and unequal faculties for acquiring property, the possession of different degrees and kinds of property immediately results,” which leads to “a division of the society into different interests and parties,” as James Madison wrote in *Federalist* No. 10. Our Constitutional structure of divided and balanced government was created to minimize the factional strife that always ends in concentrated, tyrannical power.

The use of government power to create economic equality has been at the heart of the progressive movement for over a century. Theodore Roosevelt’s breakaway Bull Moose Party in 1912, though unsuccessful at the ballot box, nonetheless laid out the aims progressives still pursue today—taking federal control over what Roosevelt called the “malefactors of great wealth.” At the party’s convention, Indiana senator Albert Beveridge mixed Roosevelt’s class warfare rhetoric with utopian goals, a rhetorical mixture we still hear today from the Democrats. Beveridge contrasted “social brotherhood” with “savage individualism,” and demonized “reckless competition.” The cure was the progressive motto, “pass the prosperity around”—rhetoric echoed in Barack Obama’s “you didn’t build that,” “I do think at a certain point you’ve made enough money,” and “I think when you spread the wealth around, it’s good for everybody.”

This utopian goal was explicit in Beveridge’s speech: “There ought not to be in this republic a single day of bad business, a single unemployed workman, a single unfed child” or a “day of low wages, idleness, and want.” Equally prophetic was his means for achieving these aims: “We aim to put new business laws on our statute books which will tell American businesses what they can do and what they cannot do,” expressing a sentiment earlier expressed by Roosevelt in his 1910 “New Nationalism” speech. In it Roosevelt proposed that the right to property could be limited according to the values

of the “advocate of human welfare, who rightly maintains that every man holds his property subject to the general right of the community to regulate its use to whatever degree the public welfare may require it.” This means a “policy of a far more active government interference with social and economic conditions.” And the government he had in mind was the “national government,” which “belongs to the whole American people. . . . The betterment which we seek must be accomplished, I believe, mainly through the national government.”

## THE DEBT THREAT

Over the subsequent century this ambition for increased concentration and expansion of federal power has been realized. Franklin D. Roosevelt’s New Deal and Second New Deal, armed with “new instruments of public power” housed in new government agencies and funded by the federal income tax, increased entitlement spending and government regulation to improve “social and economic conditions.” As a result, today the federal government spends nearly 70 percent of its annual \$4 trillion budget on entitlement and social welfare spending, and on interest payments on the \$22 trillion national debt.

The Democrats ignore this ill omen, as it does the recent record of the Obama presidency. Obama multiplied government regulations, entitlement programs, and the debt, and the economy averaged a bit more than 2 percent growth, historically low for a post-recession economic recovery. Yet the Democrats are preparing to field a presidential candidate who promises not to revert to Obama’s failed policies, but to double and triple down on them.

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***Maybe the progressives are just bad at math.***

The United States is a global economic powerhouse, even as the progressives’ economic model, the European Union, is struggling. Whatever vigor the EU economies do have is the result of backing off intrusive regulations—as have the Nordic countries held up as exemplars by the Democrats—and dropping counterproductive policies similar to Warren’s “wealth tax,” a stratagem abandoned by eight of the twelve countries that had one in 1990. And the Democrats seldom note that the EU’s average per capita GDP is \$38,500, compared to \$59,531 in the United States, and that Europeans pay an average 21.3 percent regressive consumption tax.

Perhaps the progressives are economic illiterates, or just bad at math. Maybe they have forgotten even recent history, like President Reagan’s

economic miracle. Maybe they're starry-eyed "idealists" who actually believe in utopia, the road to which is lined with mountains of corpses. But twenty-five hundred years of political history suggest a simpler framework: the eternal lust for power and human vices like envy, which the Greeks, Toc-

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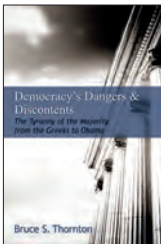
***Aristotle said the tendency to radicalize equality arises "out of the notion that those who are equal in any respect are equal in all respects."***

queville, and the American founders identified as the engines of civil strife and dissolution.

We need to be familiar with the long history of tyrannical power even

when it is masked by prosperity, which fools people into thinking they can afford pie-in-the-sky policies. And we should pay close attention to the willful deceptions of progressive rhetoric like "income inequality." Lies are the instruments of tyranny, truth the oxygen of democracy. We will not always be as rich as we are today, and the reckoning of our feckless fiscal policies is going to be here much quicker than we think. Then may come the conditions in which a tyrannical regime flourishes. And there's no guarantee that when the despot comes, he or she will be a "soft" one. ■

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*Available from the Hoover Institution Press is **Democracy's Dangers and Discontents: The Tyranny of the Majority from the Greeks to Obama**, by Bruce S. Thornton. To order, call (800) 888-4741 or visit [www.hooverpress.org](http://www.hooverpress.org).*



# *A Race against Anarchy*

**Even after the Great War ended, famine and chaos threatened Europe. Herbert Hoover rescued the continent, reviving trade, rebuilding infrastructure, and restoring economic order, holding a budding Bolshevism in check.**

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***By Bertrand M. Patenaude***

**H**erbert Hoover's reputation as the "great humanitarian" has come to obscure what was perhaps his most consequential act of public service before he became president of the United States: his leadership of the monumental effort to repair and revitalize war-torn Europe during the nine months after the signing of the armistice in November 1918. Masterfully coordinating the deployment of American food, finances, and men, Hoover's leadership was essential in helping to stabilize a newly reconfigured Central Europe that appeared to teeter on the brink of chaos. This unique chapter of Hoover's biography is typically folded into the account of his wartime and postwar humanitarian activities, when in fact outright charity—what Hoover called "benevolence"—was a relatively minor part of the story.

Hoover began to practice his brand of hardheaded humanitarianism as chairman of the Commission for Relief in Belgium (CRB), which organized the delivery of food to the citizens of German-occupied Belgium and

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northern France during the First World War. The CRB's improbable success brought Hoover international acclaim. When the United States entered the war in April 1917, President Woodrow Wilson brought him from London to Washington, DC, to take the helm of the new United States Food Administration, an institution whose purpose was to mobilize the nation's food resources for the war effort, which meant provisioning the US military and the civilian population as well as the Allied countries.

After the signing of the armistice on November 11, 1918, Hoover went to Paris to serve as an adviser to the US delegation to the peace conference. There he continued to serve as food administrator, though he accumulated several other titles, most significantly director general of relief for the Allied governments. As the United States possessed the vast majority of the food and the finance, Hoover was able to wield tremendous influence in Paris, directing recovery operations across the continent all the way to the unstable borders of Bolshevik Russia. Hoover called this undertaking America's "second intervention."

It was humanitarian only in the broadest sense of the word. Most of the food "relief" was not distributed as charity, but rather was sold for cash or on credit. "This second intervention," Hoover explained after his return to the United States in September 1919, "was not a relief problem in the ordinary acceptance. It was not a problem alone of finding foodstuffs for starving populations of the ravaged regions. It was the problem of finding a large margin of foodstuffs and other supplies for the whole of Europe—Allies, liberated peoples, neutrals and enemies; and in a mass of at least 200 millions of these people formerly under enemy domination it was a problem of finding absolute economic rehabilitation."

As director general of relief, Hoover had to deal with complex and inter-related issues involving finance, shipping, rail and river transportation, the British naval blockade, and other matters great and small whose solutions demanded careful coordination. Hoover and the hundreds of American fieldworkers serving under him applied their energies and their know-how to restoring communications, revitalizing the railroads, reviving coal production, restoring traffic on the Danube River, and facilitating trade, all in a race against the clock to prevent postwar Central and Eastern Europe from sliding into anarchy and to keep Bolshevism contained inside Soviet Russia.

## **AID, NOT CHARITY**

One major reason that Hoover's work during the armistice period has come to be thought of as charity is the name of the organization associated with it:



***VICTORS: President Woodrow Wilson travels through Paris by carriage, accompanied by Raymond Poincaré, president of France. Wilson arrived in France in December 1918 to attend the peace conference that would culminate in the Treaty of Versailles.*** [Hoover Institution Archives]

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the American Relief Administration (ARA). But in fact there were two quite distinct Hoover-led organizations known as the ARA. The better-known of the two is the private relief agency that engaged mostly in the charitable distribution of food to Europe's undernourished children after the conclusion of the Treaty of Versailles in June 1919. The original ARA, active during the armistice period, was an official US government agency. It was established to administer the US share of the Allied relief program, beginning with a US congressional appropriation of \$100 million. Additional American government funds were added to this appropriation, so that altogether the ARA delivered 1.7 million tons of food whose total value was more than \$363 million.

Yet Hoover, as director general of relief, controlled still greater sums of money, including more than \$463 million provided by other American

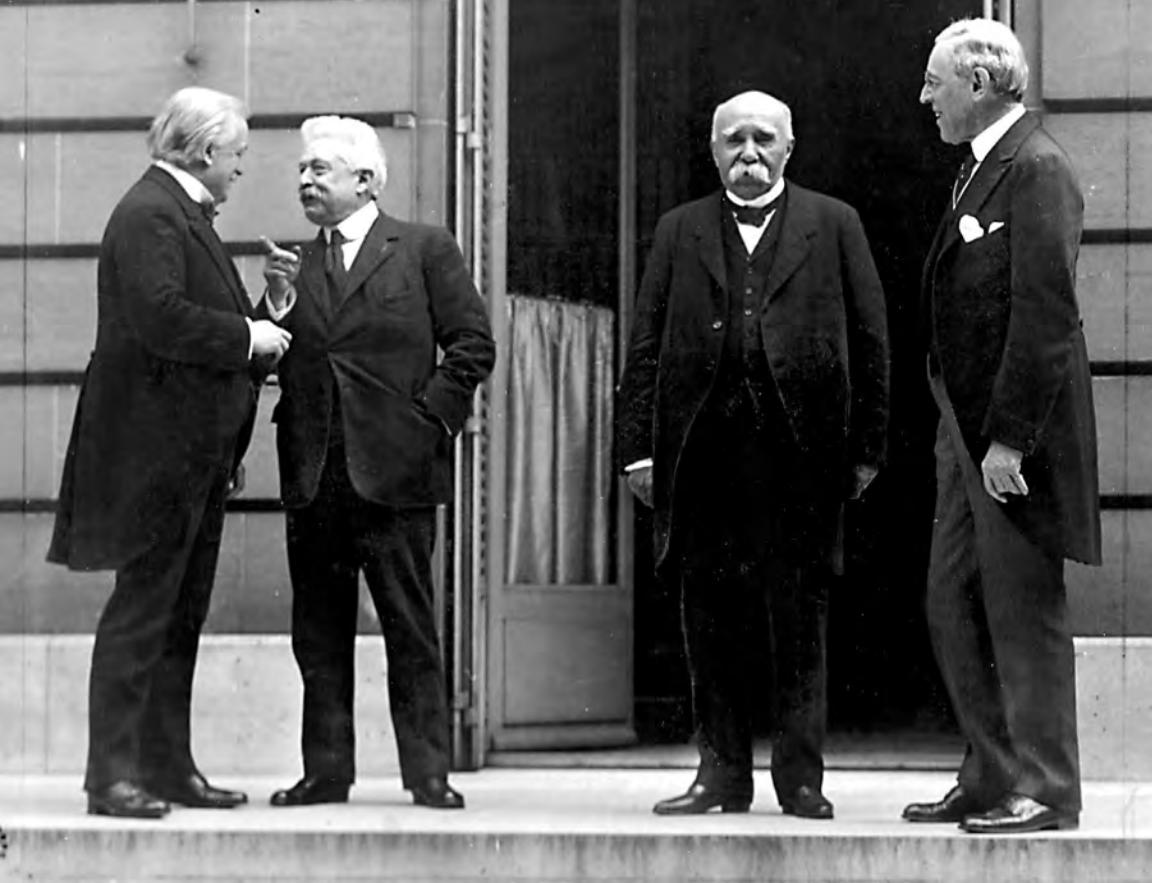
organizations. The vast majority of the latter, \$382 million, came from the US Liquidation Commission, created by the War Department in February 1919 to sell off surplus military supplies in Europe; the remainder, totaling some \$81 million, came from private charitable organizations like the Jewish Joint Distribution Committee, Near East Relief, the American Red Cross, and the Commission for Relief in Belgium. Nor was this all. Other countries contributed nearly \$239 million to the inter-allied relief program during the armistice period, about three-quarters of it supplied by the three major European allies. The grand totals are staggering: during the nine months from December 1, 1918, to September 1, 1919, Hoover organized the distribution across Europe of over four million tons of food, valued at more than \$1 billion—nearly \$15 billion in today’s dollars.

Charity made up only a very small portion of the relief program during the armistice. Roughly two-thirds of the food delivered was sold on credit, and most of the remainder was paid for in cash, whereas charitable donations accounted for less than 2 percent of the total. These were used to fund local organizations established in each country to serve meals to undernourished children under the supervision of Americans specially selected for such “child feeding” duties by the ARA.

Hoover could not have led the United States to victory in this “second intervention” without the presence of hundreds of American troops on the ground to execute the program. Their most intense effort was focused on Central Europe, where the breakup of the Austro-Hungarian empire led to the emergence of new states Austria, Hungary, and Czechoslovakia, the resurrection of independent Poland, the enlargement of Serbia as part of a new Yugoslavia (formally known as the Kingdom of Serbs, Croats, and Slovenes), and a Romania now greatly enlarged territorially at the expense of Hungary.

## **AMERICAN TROUBLESHOOTERS**

From the start, Vienna was seen as key to the survival of the new Europe. Just yesterday, Vienna had been the glorious capital of the Habsburg empire, its financial and administrative center; now it was the capital of Austria, a resource-poor country that occupied less than 15 percent of the former territory of Austria-Hungary and whose total population was about 6.5 million. Austria was relatively small, but Vienna, with a population of some 2.5 million, was considered too big to fail. Much of the drama of the armistice period centered on the struggle to keep the city fueled and fed, else its residents follow the siren calls of leftist agitators, a danger made palpable by a Bolshevik coup in the Hungarian capital, Budapest, in March 1919. “Vienna as



***NEXT STEPS: Left to right, the “big four” leaders at the Paris Peace Conference: David Lloyd George, prime minister of Britain; Vittorio Emanuele Orlando, prime minister of Italy; Georges Clemenceau, prime minister of France; and President Wilson. Meetings began in January 1919 and most took place at the Ministry of Foreign Affairs on the Quai d’Orsay. The treaty was signed on June 28, 1919, the fifth anniversary of the assassination of Archduke Franz Ferdinand in Sarajevo. [Hoover Institution Archives]***

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the seat of the disease and Paris as the seat of authority came to be the twin capitals of a disorganized Europe,” wrote the ARA’s staff historian, Thomas Dickinson.

America’s focus on the former Habsburg realms was reinforced by a strong sense of obligation. The fractured new political geography of the region was seen as a direct result of President Woodrow Wilson’s championing of national “self-determination” after the United States entered the war. Point Ten of Wilson’s Fourteen Points reads: “The peoples of Austria-Hungary, whose place among the nations we wish to see safeguarded and assured, should be accorded the freest opportunity to autonomous development.” This single sentence was assumed to have sealed the fate of the empire. Whatever

was its actual influence, the United States now felt morally obligated to help get the fledgling and disrupted countries of Central Europe on their feet.

The initial American investigations conducted in the armistice winter of 1918–19 made the task appear daunting. The collapse of the Habsburg empire had destroyed what the Americans of the ARA routinely referred to as the “fabric” of economic interdependence in the lands of the former empire. Surpluses of economic and natural resources belonging to areas that were once integral parts of a single economic unit were now located in several independent countries that eyed each other suspiciously. Into the breach came the Americans of the ARA with missions headquartered in the region’s capital cities. To staff his operations, Hoover drew upon US Army officers and enlisted men—nearly one thousand in all—who had come to Europe as part of the American Expeditionary Force. They performed their duties for

the ARA attired in their Army uniforms, which gave the organization and its activities an aura of

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***“It was a problem of finding absolute economic rehabilitation.”***

legitimacy and authority. The key recruits were Army engineers, efficiency-minded problem solvers like Hoover, eager to take on the assignment of bringing order out of chaos in Central Europe.

Their first priority was to restore communications. Even the major cities, as they discovered upon arrival, were almost completely cut off from the outside world. “Local telephones and telegraphs were practically useless as even the Courier Tortoise would defeat the Telegraphic Hare,” wrote Captain Thomas Gregory, the ARA’s director for Central Europe and Hoover’s right-hand man. Dispatched to the scene were officers of the US Army Signal Corps, who restored telegraph and telephone using American equipment; US Navy and US Army Signal Corps operators manned the circuits. The ARA eventually came to control some ten thousand miles of telephone and telegraph lines connecting the central office in Vienna with the principal cities and the ports, and of course with Paris, where the Allied governments made regular use of the ARA lines in order to conduct diplomatic business during the peace conference.

Among the ARA personnel, railroad experts were in high demand. Central Europe’s railroads were in a state of disrepair and disarray, with each country in the habit of seizing the rolling stock of its neighbors in the post-conflict scramble for resources. All the way from Trieste on the Adriatic, the major port of entry for food at the start of the operation, to Warsaw, the northernmost delivery point, no one could be certain that a train crossing a frontier



***CAN-DO: Herbert Hoover had been chairman of the Commission for Relief in Belgium, which organized food deliveries to the citizens of German-occupied Belgium and northern France during the First World War. When the United States declared war in April 1917, President Wilson brought him from London to Washington to lead the new United States Food Administration.*** [Hoover

Institution Archives]

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would reach its destination or, if it did, whether it would ever be returned. To meet the emergency, Hoover arranged to have placed in his hands the control of the entire railway system of the former empire. Toward that end, he arranged for the creation of an Allied Railway Mission and put Lieutenant Colonel William Causey, head of the ARA's Transportation Department, in charge. Under Causey's direction, American engineers effectively operated Central Europe's railroads through the summer of 1919.

It was a similar story with coal, which was in acutely short supply. In many places the operation of the mines had come to a halt as a result of labor unrest or border disputes, with Poland, Germany, and Czechoslovakia vying

for control of the rich Silesian coal beds. Where the mines were still operating, productivity had fallen by about one-half. In January

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### ***Vienna, with a population of some 2.5 million, was considered too big to fail.***

1919, Captain Gregory, fearing a complete economic breakdown and the political disorder that would inevitably follow, urgently recommended that Allied troops be sent in to occupy the coal areas. "Never was it so powerfully brought home to what extent civilization with its great concentrations in large cities and its manufacturing industries are vitally dependent on the continuous supply of coal," Gregory observed. Hoover rejected Gregory's suggestion, opting instead to assert control by forming an Allied Coal Commission and placing it under the authority of Army Colonel A. C. Goodyear.

Hoover's American troubleshooters came to wield enormous power over the former Habsburg lands. "We have our fingers on the pulse of affairs in the old empire," the ARA's Causey remarked in the summer of 1919. As the conclusion of the peace conference drew near, Hoover, recognizing that the governments of the region lacked the administrative machinery and the experienced personnel to manage affairs on their own after the departure of the ARA, arranged for US technical advisers to be assigned to Poland, Austria, Yugoslavia, and Czechoslovakia to advise and assist with the reconstruction efforts.

### **"A GREAT MARKET"**

The challenge to the revival of Central Europe was greatly magnified by animosities among nations of former empire. "The smoldering racial and political hatred of centuries glowed with a redder flame" was Gregory's colorful formulation. Lincoln Hutchinson, chief of the ARA mission in Czechoslovakia, reckoned that three-quarters of the difficulties his mission



**THE “SECOND INTERVENTION”:** An ARA map shows how Hoover, as head of postwar Allied relief efforts, directed recovery operations across the European continent all the way to the unstable borders of Bolshevik Russia. His mission went beyond merely feeding millions of people; it was, in his words, “a problem of finding absolute economic rehabilitation.” [Hoover Institution Archives]

had to overcome could be attributed to “the racial hatreds existing in Central Europe.” Border wars erupted as a result of land grabs by the various countries in the push for territory before the final settlement was decided in Paris. The ARA counted ten separate fields of military operations in and around the borders of the previous Austro-Hungarian empire.

The engineering-minded Americans of the ARA, eager to get on with the job of restoring commercial and industrial operations, grew exasperated by what they regarded as such needless intrusions on their efficiency. “Everywhere, throughout Central Europe, there was the impression of a great market full of buyers and sellers,” Dickinson observed, “if only the two could come together.” Everyone had something in surplus that someone else was lacking. The laws of economics said the market should revive, that the economic machinery should begin to work again. “But the plain fact was that

the machinery didn't turn," wrote Gregory. "It had been smashed and piece by piece it had to be tinkered up and forced to start."

In the absence of stable national currencies, the ARA Americans stepped in to facilitate barter between the countries. At times it seemed that no amount of economic self-interest could overcome the fervor of national antipathies without the help of forceful persuasion on the part of the Americans. In January 1919, when the Czechoslovak government balked at delivering coal to Vienna, at a time when the Americans were desperate to keep the city

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***"The machinery didn't turn. It had been smashed and piece by piece it had to be tinkered up and forced to start."***

heated and lighted and to feed its hungry residents, it took American pressure and finesse to produce results. As Gregory recalled of the precariousness of that moment, "I

have always felt that without our interference at this time the whole position of Central Europe would have been lost."

An especially strenuous transaction mediated by the ARA officials in Warsaw and Prague was the exchange of Polish potatoes for Czech sugar. Negotiations were tense and prolonged, and only the presence of the Americans kept them on track. In the end, the Czechoslovak minister agreed to sign the contract only if the ARA mission chief in Prague co-signed. The agreement brought Czechoslovakia some twenty-two thousand tons of potatoes, while Poland obtained more than thirteen hundred tons of sugar.

For the barter of vital or urgently needed supplies, the Americans organized a convoy system. An especially productive expedition was undertaken by two American officers, Lieutenant Colonel W. A. Jones and Captain E. B. Mitchell, who went from Vienna to the Galician oil fields, in Ukraine. A total of ninety-two tank-carloads of oil were secured in exchange for other products. Of these cars, forty were convoyed to Czechoslovakia and the rest to Vienna. Some mix of fuel and food products were typically involved in these transactions, as when Captain Henry L. Kyle convoyed a trainload of Austrian manufactured goods to Poland in exchange for eggs, hams, oil, benzene, paraffin, and other items. These convoyed goods were not of American origin, so there was no direct American advantage to these transactions. Nonetheless, like the economic intervention as a whole, they were assumed to serve long-term US interests in that the revival of commerce in Central Europe would benefit the US economy. Hoover also understood that the rehabilitation of the region was the only means by which the United States



***“NEW POLAND”***: At center, left to right, are piano virtuoso and Polish prime minister Ignacy Paderewski; Herbert Hoover; Polish chief of state Józef Piłsudski; and Hugh Gibson, American minister to Poland. They are standing among a group of military officers on the terrace of the Belvedere Palace in Warsaw on August 13, 1919. The establishment of “a united, independent, autonomous Poland” was one of Wilson’s Fourteen Points, and the Treaty of Versailles recognized Polish independence. [Hoover Institution Archives]

could ensure eventual repayment of the credits it provided to underwrite the purchase of the foodstuffs it had sent over.

At the most basic level, a healthy Central Europe would ensure that the United States would not have to return someday to set things in order again.

Hoover certainly kept US interests in mind, even if mostly in the back of his mind. Lots of ink has been spilled describing Hoover’s anti-Bolshevism as some kind of ulterior motive that somehow serves to discredit his “humanitarianism.” But on the spectrum of anti-Bolshevism in 1919, Hoover’s position fell near the center. And in assessing his motives it is not helpful to insist on a dichotomy of humanitarianism vs. anti-Bolshevism. To Hoover, just as to President Wilson, Bolshevism was synonymous with anarchy, the hand-maiden of hunger. It was a symptom of people in distress; therefore, fighting

Bolshevism was humanitarian. As it happens, Hoover was an equal-opportunity anti-extremist. In August 1919, he used the threat to withhold food to foil the attempt of a Habsburg archduke to seize power in Budapest after the fall of the Bolshevik regime. Hoover told the Council of Five, a gathering of foreign ministers in Paris, “I consider that the American Army fought in vain if the Hapsburgs are permitted to retain power.”

As Hoover’s most recent biographer, Kenneth Whyte, points out, when it came to socialism, Hoover was concerned less with the virulent strain, Bolshevism, than with the milder form of socialism that had crept into wartime

societies in the form of state control of the economy. He was keen to have American intervention help reverse that development by inspiring “constructive self-reliance,”

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***A healthy Central Europe would ensure that the United States would not have to return someday to set things in order again.***

fostering the creation of local institutions to assume responsibility after the departure of the ARA. As Hoover, in Paris, wrote to Gregory in Vienna on February 2, 1919, “One large thing that I am impressed with more and more is the necessity of stimulating the initiative of these people to help themselves and our constant resistance to the tendency to nurse them through all sorts of difficulties.”

**“A SENSE OF FACTS”**

America had by far most of the foodstuffs and the finance, but it is difficult to imagine a successful outcome to America’s “second intervention” without Hoover at the helm. His years of experience in international business and then his organization and management of the wartime relief of Belgium gave him an unsurpassed knowledge about the workings of the international system, not least how to get things done in Europe. Eustace

***FRUITS OF PEACE: A girl (opposite page) accepts a basket of apples in this American poster created to stir interest in European relief. Friction between the new nation of Czechoslovakia and newly independent Poland was among the difficulties the ARA troubleshooters had to handle. Fractious leaders in Central Europe were encouraged to exchange critically needed goods such as coal, oil, and food. The rebuilding of European economies was assumed to serve American interests as well.*** [Poster Collection—Hoover Institution Archives]

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**CZECHOSLOVAKS FOR HOOVER'S  
CHILDREN'S RELIEF COMMITTEE**

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BGA



Percy, of the British Foreign Office, wrote a personal note to Hoover on November 24, 1918, shortly after he had arrived in London on his way to Paris:

I want to say I hope you'll remain on this side [of the Atlantic] for a considerable time. You're the only prominent person in any way responsible for American policy—and one of the few people responsible for the policy of any Allied country—who has at this moment a sense of facts.

This “sense of facts” made Hoover indispensable to Wilson, giving him extraordinary access to the president. Wilson's closest aide, Colonel Edward M. House, told his diary in Paris: “I like Hoover and admire him the more I see of him. He is one of the few big men at the Conference.”

Always a factor in Hoover's calculations during the armistice were the huge surpluses of American agricultural products—wheat, flour, barley, rye, pork, condensed milk, cottonseed oils, various seed meals—which Hoover, as US Food Administrator, had been responsible for amassing and whose disposal was threatened by the unexpected early end of the conflict in November 1918. Britain

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***“The ungrateful Governments of Europe owe much more to the statesmanship and insight of Mr. Hoover and his band of American workers than they have yet appreciated or will ever acknowledge.”***

and France sought to renege on their wartime purchasing contracts. Hoover pressed the Allies to honor their commitments. At the same time, he campaigned hard to have the blockade lifted on the former enemy states to open up markets for America's surplus produce.

Hoover's solution was to clear the way for the sale of these foodstuffs to the neutral countries of Northern Europe and to allow them to export to Germany, an arrangement that obviated the need to accept direct payment from Germany, which was the central sticking point. Hoover's creative mind also found a way to bring American food and extend American credits to Austria, which the US congressional appropriation had placed off limits by listing the new country as an “ex-enemy” state, to Hoover's unpleasant surprise. Under an arrangement called the Joint Allied Finance plan, Hoover arranged for US Treasury loans to be made to Britain, France, and Italy, which used the money to purchase American food for Austria, the Allies in turn agreeing



In der Speisestelle. A Feeding Station.

***IN GOOD HANDS: Children are fed at a kitchen in Vienna. After the Treaty of Versailles was signed in June 1919, the original ARA closed up shop. But Hoover won Wilson's approval to use its surplus to create a private successor, the American Relief Administration European Children's Fund, with Hoover as its chairman.*** [Hoover Institution Archives]

to take Austrian obligations for the repayment of the total amounts, which came to \$48 million.

Hoover's knack for improvisation, what Dickinson called his "facility in finding alternative expedients," dazzled and confounded the people Hoover derided as "pinheads of bureaucratic Europe"—and that was partly the point, as biographer Whyte observes:

He engaged in a series of transactions so byzantine that it was impossible for outsiders to see exactly what he was up to. Orders flew at a dizzying pace, food moved from dock to ship, from agent to agent, from country to country, and money flowed from private banks and national treasuries through the various agencies and corporations Hoover oversaw and among the intermediaries he had arranged. . . . Only Hoover, with his keen grasp of the mechanics of civilization, could have made the logistics of rehabilitating a war-ravaged continent look easy.

## A FIGHTING CHANCE

Hoover's European rescue operation lasted to the harvest of 1919. The European order still appeared fragile, and Hoover felt the United States had more work to do, but America's economic intervention had given it a fighting chance. Upon the signing of the Treaty of Versailles, on June 28, the US Food Administration expired by law. Three days later, the ARA's distribution of the

congressional appropriation of \$100 million having been completed, it, too, closed up shop. Hoover won Wilson's approval to use the surplus left over from ARA operations, amounting to something like \$40 million, to create

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***To Hoover, just as to President Wilson, Bolshevism was synonymous with anarchy, the handmaiden of hunger. Fighting Bolshevism was humanitarian.***

a private successor to that government agency: the American Relief Administration European Children's Fund, with Hoover as its chairman—although its full, formal name was used only on paper and within the organization. Everyone knew it as the ARA.

Altogether, from 1919 to 1921, this private ARA delivered food worth over \$150 million (some \$2 billion in today's dollars) to children in fifteen countries in Central, Eastern, and Southeastern Europe and the Near East, functioning either independently or in conjunction with other private relief organizations. After that came the ARA's biggest mission of all, the massive campaign to combat the Soviet famine of 1921, which killed more than six million people. These achievements enhanced Hoover's reputation as the wizard of humanitarian intervention, but they have also tended to obscure the true nature of his accomplishment as head of the original ARA during the armistice. Those ubiquitous images of children of many nations being served

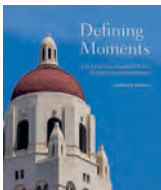
meals in ARA kitchens have come to symbolize the entirety of Hoover's activity from November 1918. We unthinkingly project the work of the private, charitable ARA back onto the broader economic intervention Hoover masterminded in Paris.

The significance of Hoover's achievement was certainly recognized at the time. He returned to the United States in September 1919 a national hero. "Hoover has been the nearest approach to a dictator Europe has had since Napoleon," the *New York Times* marveled on the day after his return. The *Manchester Guardian* said of Hoover at the time: "He made himself—or was made—in reality supreme economic dictator, and in Europe the economic factor swamps everything else at present." John Maynard Keynes, who represented the British Treasury at the Peace Conference, praised Hoover effusively in his now-classic 1919 book, *The Economic Consequences of the Peace*, which was a runaway bestseller:

Never was a nobler work of disinterested goodwill carried through with more tenacity and sincerity and skill, and with less thanks either asked or given. The ungrateful Governments of Europe owe much more to the statesmanship and insight of Mr. Hoover and his band of American workers than they have yet appreciated or will ever acknowledge. . . . It was their efforts, their energy, and the American resources placed by the President at their disposal, often acting in the teeth of European obstruction, which not only saved an immense amount of human suffering, but averted a widespread breakdown of the European system.

Keynes was paying just tribute to the enormity of Hoover's achievement. Its memory has dimmed in the intervening century, overshadowed by Hoover's stature as the great humanitarian. ■

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# On the Cover

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This poster from the Hoover Archives offers a gentle image of a violent place and time: Germany in 1920, still reeling from its defeat in the First World War. The artist, Johannes Friedrich Georg Baus (1889–1971), uses the image of a worker and a blooming rose to advertise the Leipzig Trade Union Festival held that August. In such events, socialist groups vied for workers’ loyalty through staged spectacles, including plays (“Spartacus” was among those performed in Leipzig in 1920), gymnastic performances, and music. Leipzig had been a hotbed of socialist agitation since the fall of 1918, when the war was lost.

It was a time of intense and growing radicalism on both left and right. The year was barely under way when Germany experienced a coup against the new Weimar Republic, followed by a destabilizing general strike. Although the so-called “Kapp Putsch” was put down, the strike called by the legitimate government spun out of control, with Spartacist (Communist) uprisings in various cities, including Leipzig. Then, in the spring, German troops moved without Allied permission into the Ruhr Valley to put down a Spartacist revolt; in response, French troops marched into Frankfurt and Homburg and briefly occupied those cities.

Elections that June reflected increased strength on both the right and the left, at the moderates’ expense. The results suggested that in the long arc of the Weimar Republic, in Yeats’s phrase from 1919, “the center cannot hold.”

Baus, the artist, was born in Offenbach and spent his career in Leipzig. He served in the German army from 1914 to 1918, coming home with hearing loss. He would become known for his magazine covers, book illustrations, posters, and advertisements. His artistic training was guided by the *Deutscher Werkbund* movement—itself inspired by the aesthetic ideals of John Ruskin—an effort to create a new form of product design and graphic expression. Among other ideals, it sought to avoid over-ornamentation and stress simplicity, often through everyday objects, and to celebrate artisanal work. Meantime, the movement known as Modernism offered a broad response to many





people's yearning for fresh meaning and values after the war swept away both governments and human lives. In this vein, the *Deutscher Werkbund* also came under the influence of Bauhaus views during the 1920s.

Baus's poster for the trade union festival is an artistic souvenir of that tumultuous era, which had many years of economic and political agony yet to come. ■

—Charles Lindsey





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