

# THE **ETHICAL** **STANDARD**

OFFICIAL PUBLICATION OF **THE FREE ENTERPRISE FOUNDATION**



Vol 3 No 1



**Thomas P.M. Barnett**

A REMARKABLE ANALYSIS OF  
THE POST-BUSH WORLD, AND  
AMERICA'S LEADERSHIP ROLE IN IT  
FROM THE AUTHOR OF THE GROUNDBREAKING  
*NEW YORK TIMES* BESTSELLER *THE PENTAGON'S NEW MAP*

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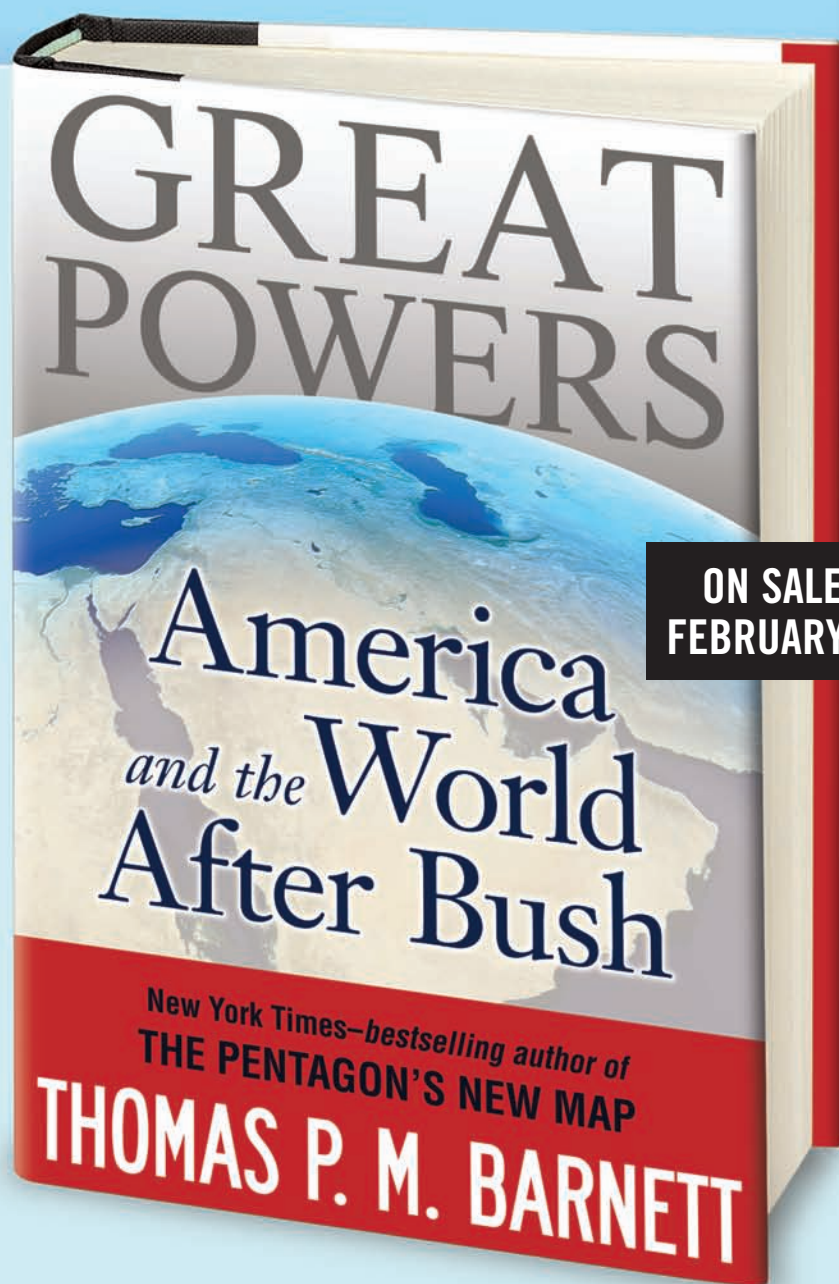
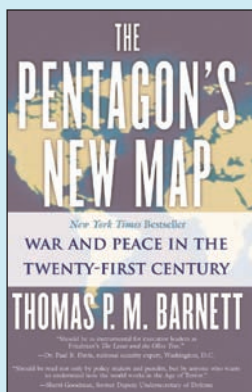
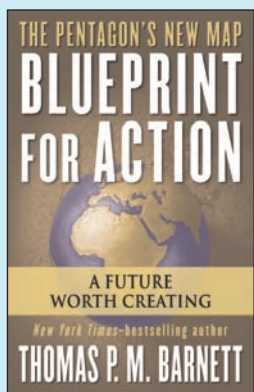
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THOMAS PM BARNETT

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*The Ethical Standard:*  
*Official Publication of*  
*The Free Enterprise Foundation*  
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# A WORD FROM THE EDITOR



It is with great excitement that we are *finally* bringing you this edition of *The Ethical Standard*. We are certain the contents of this edition will prove worth your wait.

Since our last edition was published during the summer of 2008, The Free Enterprise Foundation has continued to grow while achieving many of the objectives part of our ongoing efforts to realize the foundation's mission.

The 2008 Charleston-Caribbean Leadership Summit was a tremendous success, bringing together business leaders and entrepreneurs, academicians, and policy-makers from the Caribbean with their counterparts from South Carolina and beyond. The speakers list, boasting imminent presenters like Charleston Mayor Joe Riley and S.C. Lieutenant Governor Andre Bauer, was second to none. It demonstrated our state's sincere desires to develop and grow partnerships with the various organizations and enterprises (both for- and not-for-profit) represented by our guests from the Caribbean region.

Free Enterprise Foundation Founder and President Robert E. Freer, Jr. continues to offer his insights of the myriad matters impacting the U.S. economy and free market enterprise through his regular columns featured in the *Charleston Mercury* newspaper. Professor Freer recently celebrated the publication of his 100th piece in the *Mercury*, and his latest book, *Citadel Values*, continues to pique interests in FEF's endeavors.

We are pleased to bring our readers some truly exceptional and unique material in this edition of *The Ethical Standard*. Perhaps most notably: Grand Strategist and New York Times Bestselling Author Thomas P.M. Barnett's contribution is sure to be the envy of think-tanks like ours the world over. Often most well-known for his authorship of *The Pentagon's New Map: War and Peace in the Twenty-First Century*, Dr. Barnett has honored FEF with the opportunity to present to the world his perspectives on the foremost strategic issues confronting America "After Bush" — along with his prescriptions for policy-makers tasked with stewarding America's future during the challenging times ahead. I am confident you will be energized by this and other articles and book reviews published herein.

To both our readers and our contributors, thank you for your support. If you are reading this material and wondering how you can become more involved with our efforts, please do not hesitate to contact FEF's offices at your earliest convenience — we look forward to hearing from you.

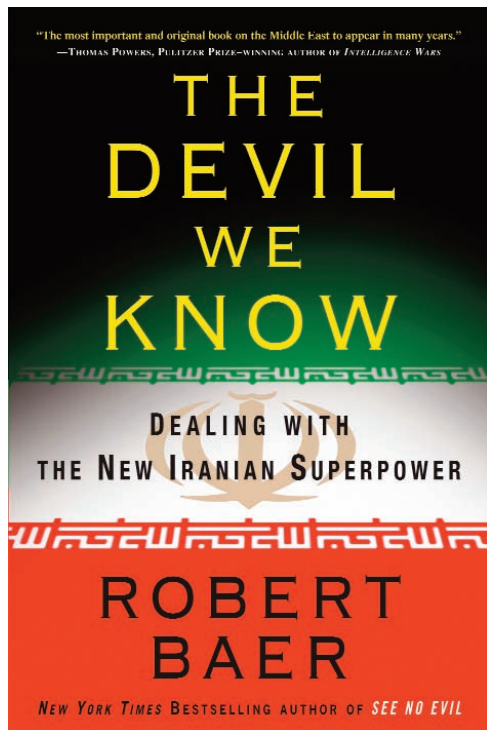
We hope you enjoy this edition of *The Ethical Standard*, and we greatly appreciate your interest in this project.

With best regards,

**Michael S. Smith II**  
Executive Editor, *The Ethical Standard*

2008

## WORKS WORTH REVIEWING



Retired CIA Case Officer Robert Baer has hit one out of the park. *The Devil We Know: Dealing with the New Iranian Superpower* is possibly the most important work of nonfiction material published in 2008.

“Defining Iran’s imperial drive is the subject of this book. The viewpoint is from the periphery, where empires are historically best observed, their character best understood,” Mr. Baer explains.

Baer goes on to provide unparalleled insights into the nexus of religious and geopolitical motives driving the foreign policy agendas of Iran, one of the world’s foremost ascendant powers. It is a wonder how so many of the anecdotal details disclosed in this retired intelligence officer’s latest book were not removed by

our government’s information officers.

*The Devil We Know* paints a most dramatic picture of what may come to fruition in Iraq if Iran achieves its goals there. Baer describes how agents of Ayatollah Khamenei’s extraterritorial ambitions, through well-masked acts of political sabotage and terrorism, are gradually convincing Americans it is prudent to remove our troops from Iraq. If this happens little will prevent Iran from taking control of Iraq’s oil industry, a scenario which will put Iran “within range of becoming the world’s largest producer, ahead of Saudi Arabia.”

According to the author, the U.S. was “the instrument of its own defeat in the Middle East. By decimating Iraq’s army, we opened the door for Iran to annex Iraq and its oil through proxies — a process that is now well under way.”

*The Devil We Know* belongs on the bookshelf of every reader collecting unique pieces of open-source information that help define the often indiscernible nuances of modern day Middle Eastern affairs.

Celebrating the sixth anniversary of the liberation of Paris Winston Churchill recalled Prime Minister Clement Attlee’s assertion that it was “irresponsible” for Churchill to have called for the strengthening of Western Europe’s defenses. Commenting on the claim, Churchill famously said: “Perhaps it is better to be irresponsible and right, than to be responsible and wrong.”

Michael S. Smith II

Reading *The Way of the World: A Story of Truth and Hope in an Age of Extremism*, the latest release from Pulitzer Prize-winning journalist and author Ron Suskind, one cannot help but wonder if President George W. Bush might borrow the above words from Sir Winston if inclined to issue a concise retort to Suskind’s rather heavy-handed slap in the face to the Bush Administration, CIA, and a host of other entities playing support roles in the U.S.-led War on Terror.

In consideration of all he has divulged from his meetings with a star-studded cast of insiders playing central roles in that war, the reader wonders if Suskind himself may be inclined to invoke those very words to defend various revelations disclosed in his latest book.

## THE WAY OF THE WORLD



A STORY OF TRUTH AND HOPE  
IN AN AGE OF EXTREMISM

RON SUSKIND

WINNER OF THE PULITZER PRIZE

Despite its broken-record issuances of anti-Bush-isms, *The Way of the World* is a masterfully written book. One that provides an unabashedly candid examination of the fallout of U.S. efforts to halt the ascension of al Qaeda's position on the global stage — efforts Suskind suggests have ultimately been sabotaged by America's actions in Iraq. Accordingly, those actions exemplify the Bush Administration's inability to maintain America's "moral authority" in its fight against what one key (improvised) nuclear weapons expert believes may become the most destructive forces of ideological extremism ever known to the world.

Irrespective of some readers' distastes for Suskind's depictions of George Bush as a man who is "almost chromosomally incapable" of admitting error, the book is littered with intriguing insights into the machinations of the American foreign policy process of recent years.

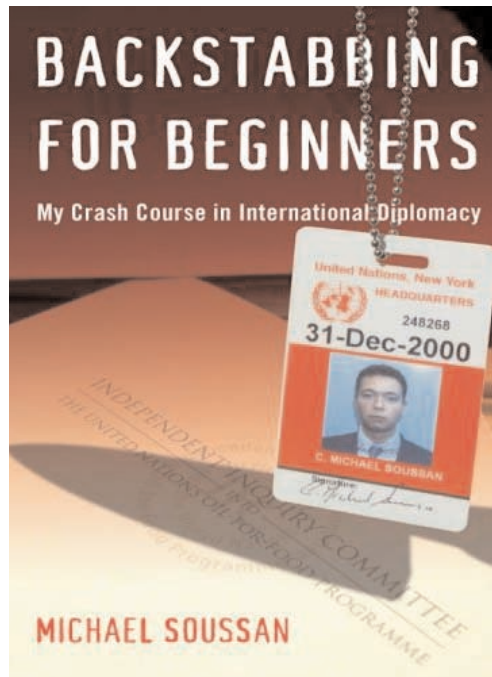
*The Way of the World* is as worthy an addition to the bookshelves of those seeking information about the realities confronting America today as the *9/11 Commission Report*, *The Persian Puzzle* by Kenneth M. Pollack, or Bernard Lewis' most recent essay compilation, *From Babel to Dragomans*.

Still, much like a handful of oversights on the part of his latest book's proof-readers, there are pieces to the puzzle that have escaped Suskind's purview — matters even non-insiders are aware of — and the fierceness of Suskind's airily literary attack leaves the reader wanting more.

Notably, this reader was left asking: Mr. Suskind, if you are endeavoring to open our eyes to information we'd have otherwise not had access to, why haven't you told your readers more about the "Delta of Terrorism" paper made famous by Bob Woodward's *Bush at War* series (i.e. the document drafted immediately following 9/11 by leading Middle East ex-

perts which made regime change in Iraq a major objective in the War on Terror)?

After all, as Winston Churchill once noted: "It is a fine thing to be honest, but it is also very important to be right."



If you're a casual observers of foreign affairs who wonders why the United Nations scores so few favorable remarks from foreign policy experts *Backstabbing for Beginners: My Crash Course in International Diplomacy* is just the crash course for you.

*Backstabbing for Beginners* provides the shockingly entertaining autobiographical account of NYU Professor Michael Soussan's experiences as a high-level employee in the Oil-for-Food program, the largest "humanitarian" operation in the United Nations' history.

This wonderfully written sardonic tale begins with 23-year-old Soussan, then a liberal-leaning recent IV League grad working for (of all places) Jack Abramoff's lobbying firm. Arriving at a "drunken epiphany" pursuant to a "one-way conversation with a toilet bowl." Soussan decides that he, a co-founder of *The Brown Journal of World Affairs*, should abandon his plans to study law in

order to "go out there and make a difference."

Soon enough, a friend from his days at Brown helps Soussan land an interview with the "Oil for *what?*" "It's this new UN program," advises his friend. "Just got started. But you might have to travel to Iraq."

In no time Soussan finds himself *en route* to Iraq, working as a special assistant to Oil-for-Food's chief envoy, Benon Sevan, an "usual" man who had been nicknamed Pasha "in reference to his reputation as a Byzantine manager."

Eventually Soussan discovers Oil-for-Food, with its multi-billion-dollar annual budget, was being grossly manipulated to pump billions into Saddam Hussein's personal coffers. Meanwhile, Saddam, according to Soussan, was busy funneling billions of dollars worth of oil to his allies in Russia who could ensure the UN would never move to punish the Butcher of Baghdad with force.

*Backstabbing for Beginners* brilliantly illuminates the complex treacheries behind what is now widely regarded as the UN's greatest failure: A "humanitarian program" which created a multi-billion-dollar black hole that was not fully observable until Saddam Hussein was removed from power, and Michael Soussan blew the whistle with a 2004 *Wall Street Journal* oped that exposed the Oil-for-Food program for what it really was.

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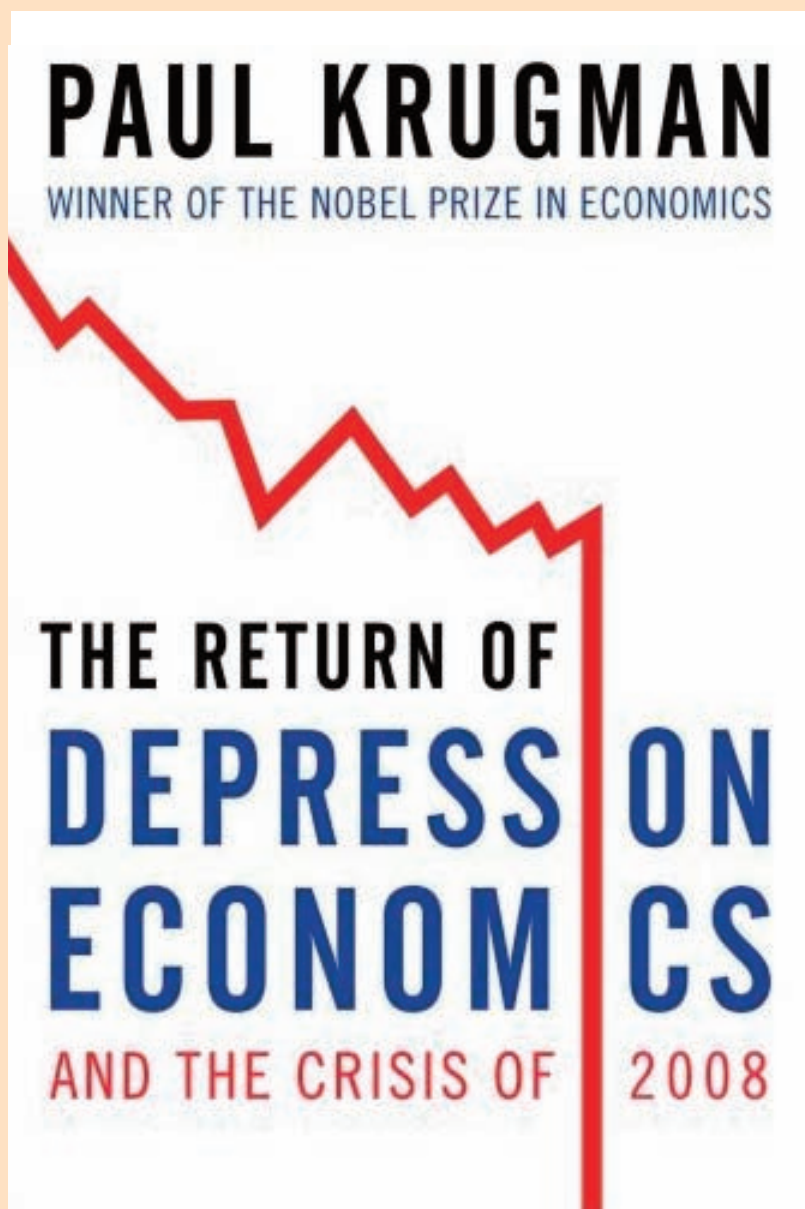
**THE DEVIL WE KNOW: *Dealing with the New Iranian Superpower.* By Robert Baer. Crown. 268 pages. \$25.95.**

**THE WAY OF THE WORLD: *A Story of Truth and Hope in an Age of Extremism.* By Ron Suskind. Harper Collins. 415 pages. \$27.95.**

**BACKSTABBING FOR BEGINNERS: *My Crash Course in International Diplomacy.* By Michael Soussan. Nation Books. 332 pages. \$25.95.**

# TOLD YOU SO?

Review By L. Ronald Scheman



John Maynard Keynes once questioned the value of economists if all they can do is, once we are in a storm, tell us we are in a storm. This categorization clearly does not apply to Paul Krugman, the prolific Nobel Laureate in Economics, who sounded the warning of the dangers to the global economy from highly leveraged, speculative and unregulated capital in his landmark book in 1999, of which this volume is an update.

Reminding us of the old adage, “that which cannot go on forever, won’t,” in *The Return of Depression Economics and the Crisis of 2008* Krugman leads the reader through the labyrinth of global finance as it unfolded in the 1990s in the bursting of the Mexican and Asian financial bubbles. Those crashes, he demonstrates, sent clear signals about the highly leveraged capital flows swashing around the global economy looking for quick profits, spawning buoyant excesses when they flowed in and crushing devastation when they flowed out. Operating in a global economy with no international rules and incomplete national regulation, hedge funds and other non-bank entities maneuvered deftly in a totally unregulated environment.

*THE RETURN OF DEPRESSION ECONOMICS AND THE CRISIS OF 2008.* By Paul Krugman. Norton. 224 pages. \$24.95.

Krugman explains in minute detail the mechanics by which leveraged money drives speculative investments in the United States. The real culprit of the current financial meltdown, in Krugman's analysis, is what he calls the "shadow banking system," a network of unregulated non-bank financial arrangements based largely in the U.S. By 2007, these entities were managing more money than traditional regulated banks. Many of these assets resided in hedge funds, which, by balancing short selling and long positions, are able to operate not on their own capital but

Krugman demonstrates how this process of withdrawals, which began in the United States this year, exactly parallels the runs on banks that sparked the 1930s panic. When trust in the soundness of the institutions evaporates and investors run to cover their exposure, credit markets freeze and even sound businesses can be forced to curtail operations.

Among the policy prescriptions Krugman advocates to avoid the downward spiral of the Great Depression: First, get the credit markets working again so that business can

Far from being a liberal idea, appropriate regulation breeds confidence in prudent and conservative financial management, forestalling the rapid inflows and precipitous withdrawals that can snowball into panics as happened in the bank runs of the 1930s.

largely on borrowed money. The leverage puts far more money at risk than the funds have in capital. By doing so, they open the way for huge gains to investors on the upside, and the potential for huge losses on the downside.

He devotes an entire chapter to Alan Greenspan's management of the Fed through two asset bubbles, first in the stock market and then in housing, pointing out his repeated failures to address the dangers of unregulated leveraging. Timothy Geithner, then president of the New York Fed and soon to be Secretary of Treasury (although unknown to Krugman at the writing) is quoted extensively in describing the extent to which the financial system had gone out of control with long term, risky assets but no protection to the investor. Once the lenders or investors in these instruments become skittish about the soundness of their investments, as occurred with the sub-prime crisis, they call their loans or withdraw their funds. Thus begins a process of deleveraging, which can soon begin to feed on itself.

operate and not have to curtail employment due to extraneous factors. Second, Krugman asserts we need to compensate for over-indebted consumers by shoring up the demand side of the economy. In other words, ensure employment holds so people can begin spending again. (Factories cannot produce unless there are consumers to buy their products.) And lastly, the government needs to take a firm hand in regulating all aspects of banking and investment to ensure they do not become over-extended.

Far from being a liberal idea, appropriate regulation breeds confidence in prudent and conservative financial management, forestalling the rapid inflows and precipitous withdrawals that can snowball into panics as happened in the bank runs of the 1930s.

Anyone who has doubts about the impact of globalization on capital markets and the implications for the United States will find this slender, highly readable volume a first-rate primer.



# BAILOUT FOR STATES THE WRONG IDEA

South Carolina Governor Mark Sanford

I find myself in a lonely position. While many states and local governments have lined up for a bailout from Congress, I went to Washington to oppose such bailouts. I may be the only governor to do so.

But I suspect I'm not entirely alone, as there are a lot of taxpayers who aren't pleased with Christmas coming twice during 2008 for politicians. And I hope these taxpayers make their voices heard before Democrats load up the next bailout train for states with budget deficits.

Several questions led me to oppose bailing out the states. They are worth asking, even if you supported bailing out Wall Street.

Who bails out the "bail-outor"?

Washington is short on cash these days and will borrow every dime of the \$150 billion to \$300 billion for the "stimulus" bill now being worked on. Federal appetites may know no bounds. But the federal government's ability to borrow is not limitless. Already, our nation's unfunded liabilities total \$52 trillion -- about \$450,000 per household. There's something very strange about issuing debt to solve a problem caused by too much debt.

Do you now have to be a financial "bad boy" to win?

Community bankers tell me that they are now at a competitive disadvantage for being careful about who to lend to, because others that were less disciplined will get a federal bailout. This is also true for states. Those that have been fiscally responsible will pay for or lose out to the big spenders. California increased spending 95 percent over the past 10 years (federal spending went up 71 percent over the same period). To bail out California now seems unfair to fiscally prudent states.

Was the economist Herb Stein wrong when he said that if something cannot go on forever, it won't?

Medicaid grew 9.5 percent annually over the past 10 years. That's unsustainable. But if Congress opens the checkbook now, there will be no reform.



Isn't government intervention supposed to be the last resort and come only when it can make a difference?

In 2008 bailouts became the first resort. Over the past year the federal government has committed itself to \$2.3 trillion (including the tax rebate "stimulus" checks of last February) to "improve" the economy. I don't see how another \$150 billion now will make a difference in a global slowdown. We've already unloaded truckloads of sugar in a vain attempt to sweeten a lake. Tossing in a Twinkie will not make the difference.

However, there is something Congress can do: free states from federal mandates. South Carolina will spend about \$425 million next year meeting federal unfunded mandates. The increase in the minimum wage alone will cost the state \$2.6 million and meeting Homeland Security's REAL ID requirements will cost \$8.9 million.

Based on what I saw in Washington, the bailout train is being loaded up. Taxpayers will have to speak up now to change its freight, tab or departure.

# Fannie Mae Then, Now — Tomorrow?

Samuel W. Bartholomew, Jr.

**A**s a proponent of free market enterprise, I, like so many Capitalists, am not inclined to support legislative policies which promote government intervention in our markets.

There are very few scenarios I can imagine which warrant our Federal government opting to bail out major financial institutions. Then again, there are very few financial institutions which were created by Congressional mandate to fulfill such a noble mission as one such institution at the fore of most legislators' thoughts today.

The Federal National Mortgage Association (Fannie Mae) was created by the United States Congress to serve as the preeminent facilitator of a central facet of the American dream — homeownership.

Today, due in large part to the efforts of those who have been involved with this entity, the United States ranks highest in homeownership among all nations.

In 1938, Fannie Mae was created by legislators who supported F.D.R.'s New Deal initiatives. Created as a government sponsored enterprise, Fannie Mae has since operated as a quasi-governmental entity.

In 1984, I was honored to receive an appointment from President Ronald Reagan to serve on the board of directors at Fannie Mae. Back then the president appointed five board members who helped to provide oversight of the policies implemented by Fannie Mae in support of its core role as our nation's chief promoter of homeownership for all Americans. I felt this effort was especially worthwhile.

At the time of my appointment to its board of directors Fannie Mae was losing \$1 million each day. At that time, the mission those of us on the board sought to fulfill was the continued growth of homeownership in our country — not a mission to generate larger and larger returns for investors, nor a mission to simply give away money.

Samuel W. Bartholomew was a founder and chairman of Stokes Bartholomew Evans & Petree, P.A., which merged with Adams and Reese in 2005. He has a broad practice including corporate, health care and aviation law, as well as governmental relations and economic development.

Mr. Bartholomew graduated from the U.S. Military Academy at West Point in 1966. He attended Airborne School and Ranger School, and was commissioned as an Armored Cavalry Officer, serving tours of duty in Europe, Panama and Vietnam. He received his Juris Doctorate from Vanderbilt University School of Law in 1973, where he was awarded the Patrick Wilson Merit Scholarship, served as Associate Editor of the Law Review and was selected Order of the Coif.

From 1974-1984, Mr. Bartholomew taught at Vanderbilt Law School and the Owen Business School, and he currently serves as an Adjunct Professor at the Owen Business School. He is past Chairman of the Vanderbilt Law School Dean's Council, and has served on the Law School Alumni Board and several Dean Search Committees.

In 1984, President Ronald Reagan appointed Mr. Bartholomew to the Board of Directors of the Federal National Mortgage Association (Fannie Mae). He also served on the Board of the Tennessee Housing Development Agency and was appointed a Federal Land Commissioner by the U.S. District Court. Mr. Bartholomew currently serves on the Board of Regions Financial Corporation, and has previously served on corporate boards including SunTrust Bank of Tennessee, Corrections Corporation of America, and Union Planters Bank.

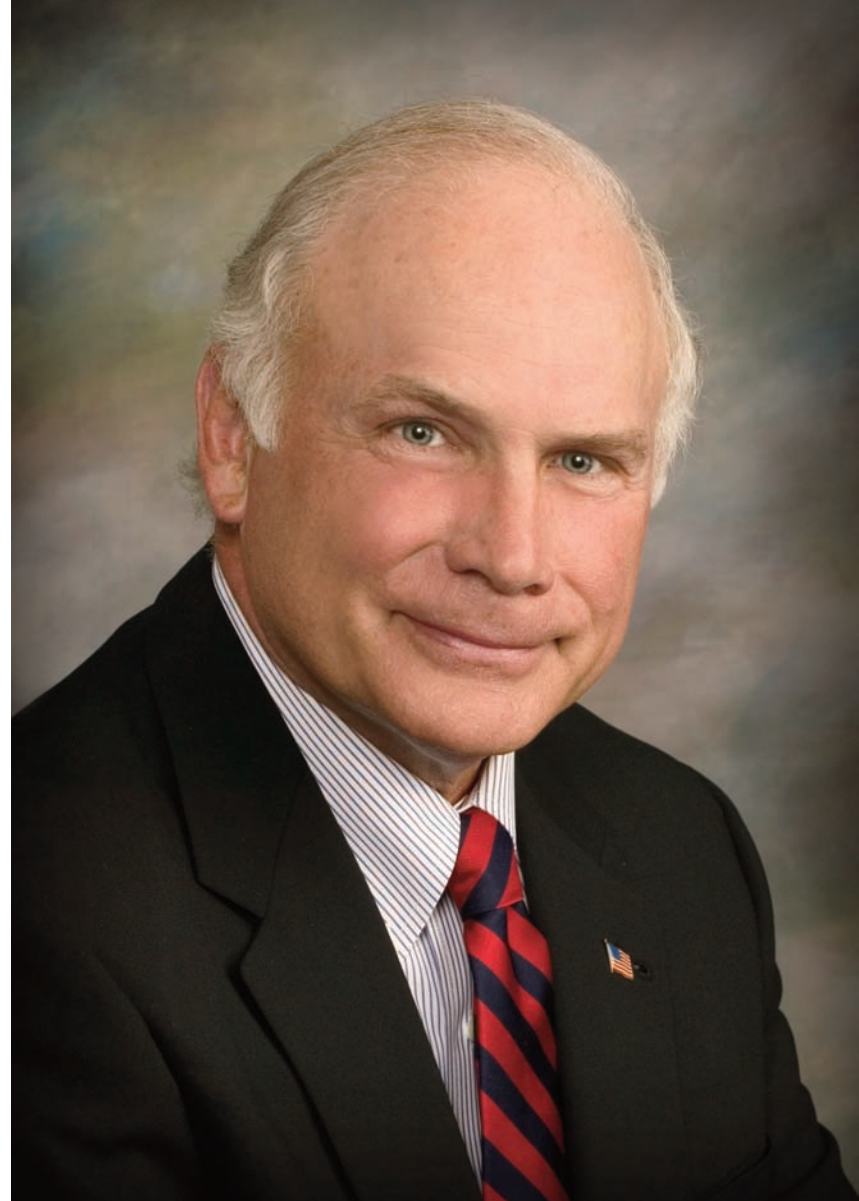
Mr. Bartholomew is active in state economic development, currently serving as a board member and general counsel to Tennessee Tomorrow, Inc. He has served as Director-General of the first Tennessee Trade Mission to France, on the Board of the Tennessee European Economic Alliance, as a Trustee of the Tennessee Technology Foundation and as a member of the Tennessee Economic Education Council. He was Chairman of the Nashville Business Incubation Center, in addition to several other civic organizations such as the Tennessee Sports Hall of Fame, St. Thomas Hospital Lay Board, Salvation Army of Middle Tennessee Board, Nashville Rotary Club, West Point Society, and the Tennessee U.S. Olympic Committee. He also chaired the City of Nashville's "Blue Ribbon" Committee to reset Mayor and Council compensation in 2001.

He was the Chamber Committee Chair and spokesman that opposed and defeated pari-mutuel gambling in Nashville in 1986. Mr. Bartholomew was Vice Chairman of the 2000 Billy Graham Crusade in Nashville. He also served as the Tennessee Reagan-Bush Chairman in 1984 and was Co-Chair of U.S. Senator Lamar Alexander's Campaign in 2000.

Mr. Bartholomew is a co-author of "God's Role in America," a book about America's Judeo-Christian heritage.

He is a member of the Nashville, Tennessee and American Bar Associations and is a Fellow in the Tennessee and Nashville Bar Foundations. He is past Chairman of the International Legal Committee of Airports Council International. Mr. Bartholomew serves on the national advisory board for the Institute for Conflict Resolution at Nashville's Lipscomb University.

Mr. Bartholomew is listed in *The Best Lawyers in America* (Corporate Law).



In 1988, when my term serving on its board expired, Fannie Mae was making \$2 million a day.

Then, as now, the successes and failures of Fannie Mae were driven by the policies implemented by those at its helm. Irrespective of the Federal government's backing, absent the influence of sound stewardship as reflected by the policies implemented by Fannie Mae's directors, Fannie Mae could — and would — founder.

I must concede the above assertion does perhaps represent an oversimplification of matters in the case of Fannie Mae. Obviously, Fannie Mae's position as a federally backed entity at the time of my service on its board did mean it would be much more difficult for the institution to

simply fail. Years later, however, the devolution of this entity's direct relationship with the Federal government (now) appears to represent the first stage of the calamitous story the world's financial markets are bearing witness to today.

Not long after President George W. Bush assumed office Fannie Mae ceased to exist as the same sort of quasi-governmental entity it had been since 1938. In what was ostensibly a well-intentioned effort to limit government influence in our mortgage industry, President Bush elected to discontinue the executive privilege of appointing members to Fannie Mae's board of directors, allowing the entity's executive director to assume the role of CEO.

Fannie Mae was quickly transformed into a company which, like so many private entities, would more fully embrace the following mission: Generate the highest possible profits for our shareholders.

Prior to this all Americans represented the group of stakeholders who Fannie Mae sought to serve. After this, however, Fannie Mae's operative agenda drastically shifted course as shareholders increasingly expected Fannie Mae to compete with other private mortgage brokerage houses at a time when demand for home loans was simply huge here in the States.

It is worth noting that due in large part to its longstanding relationship with the Federal government Fannie Mae enjoyed the tremendous advantage of favorable perceptions. In other words, it can now be seen that far too many observers assumed the institution's leaders were beholden to the highest ethical standards in business practices simply because Fannie Mae was at one time more directly accountable to the Federal government than most other mortgage providers.

In hindsight, it seems such perceptions may represent the basis for the prevailing lack of concern for the broader economic implications of certain policies implemented by Fannie Mae.

In 2005, Alan Greenspan forewarned members of the Senate about the implications of those policies should they prove to be as flawed as he suspected they might be. Republicans, normally averse to championing more stringent regulations in the financial sector, actually did move to impose more stringent regulations for Fannie Mae's practices. Their efforts failed.

Ultimately Mr. Greenspan's assertions proved accurate. The lending practices advocated by the leaders of Fannie Mae during the past decade — practices engineered to demonstrate the entity's competitiveness while later serving to generate high returns for the institution's investors — have yielded dire consequences for our broader economy. Looking back it is easy to say legislators should have either moved to exercise stronger regulatory oversight of Fannie Mae, or the mortgage industry on the whole. It is also easy to peg the blame on the people who both implemented and took advantage of the policies which manifested the economic quandary confronting Americans today.

Meantime, wasting energy on such exercises really does very little to address the bigger issue at hand. That issue can be surmised with the following question: Where do we go from here?

As a longstanding observer of the activities at Fannie Mae I disagree with the notion it would be wise to break Fannie Mae up into a dozen different home loan entities, entities which would then compete with one another. Most observers of Fannie Mae's activities recall that Freddie Mac was created at the request of the Thrift Industry in 1970 to encourage Fannie Mae to function more like those entities competing for loan issuing opportunities in the private-sector. Arguably, this was imprudent to begin with in that this prompted Fannie Mae to focus its energies on competing with other mortgage companies, rather than on continuing to achieve its original mission.

Encouraging Fannie Mae to operate like a private company — or companies for that matter — will only cause history to repeat itself at perhaps even greater cost to all Americans.

Moving forward it is imperative for our policy-makers to consider the details of Fannie Mae's history as they devise plans to ensure its future.

It is my belief this entity should be put back on a path where its leaders work to fulfill Fannie Mae's original mis-

higher returns for its investors.

Fannie Mae provides a vital service to our nation. It would be a disservice to all Americans if our legislators were to allow this entity to fail.

The key to success in financing homeownership in America is the question "What is the rate I can afford to pay, monthly?"

In December of 2008, a product introduced by Fannie Mae revealed its awareness of this reality. Fannie Mae

**In December of 2008, a product introduced by Fannie Mae revealed its awareness of this reality. Fannie Mae began offering a 30-year, 4.5 percent mortgage for non-jumbo housing loans. This is exactly what the country needs — low interest rates that will help bolster the housing market. While this should have happened in August of 2008, it is the change we need to maintain much of our economy's viability.**

sion to serve all Americans who seek to realize the dream of homeownership.

Obviously it will require investment dollars contributed by individuals, corporations, foundations, and so forth to make this mission an achievable one for Fannie Mae. Still, Fannie Mae does not have to operate like a private investment house in order to attract such investments.

I heartily encourage our nation's policy-makers to consider implementing a program that will resemble the sales of Treasury Bonds in order to attract the resources Fannie Mae will need to meet its future goals.

They should, moreover, transition Fannie Mae back to the successful quasi-governmental entity it once was before generating profits became its modus operandi. This is not to suggest Fannie Mae should not continue working with private home loan issuers. Instead, this is to say that Fannie Mae should return to its original mission, one that was altogether altered in the quest to compete for higher and

began offering a 30-year, 4.5 percent mortgage for non-jumbo home loans. This is exactly what the country needs — low interest rates that will help bolster the housing market. While this should have happened in August of 2008, it is the change we need to maintain much of our economy's viability.

The impact of this new product is already observable at America's banks. For example: This has prompted the largest group of mortgage requests ever received by Regions Bank, one of the nation's top-10 largest banks.

It has been decades since prospective homeowners have had access to rates this low. Activity has been sparked in the housing market, and we will all witness the benefits of this new product. It appears this product will sustain our nation's housing market during these tough economic times.

What's more: It appears Fannie Mae may be redirecting its focus to its original mission, a change which will ensure access to the American dream for thousands in 2009.

# Are Capital Campaigns A Capitol Idea In Today's Economy?

Charles P. Anderson

According to the National Bureau for Economic Research, the United States' economy officially entered a recessionary period in December of 2007.

During the past year, energy prices, including automobile and home heating fuels, reached all time highs. Mortgage foreclosures are rampant, and jobs are disappearing beyond our borders.

On the academic front, state colleges especially are seeing cutbacks in funding resulting in hiring freezes and curtailment of some disciplines coupled with a reluctance of legislators to authorize tuition increases that will keep pace with inflation let alone cover increasing costs due to the severe economic downturn.

Always the mavericks set apart from the unenlightened in our free enterprise system, we can always rely on college and university administrators and faculty to come up with a solution to the aforementioned woes — The Capital Campaign. What better time than the brink of a recession to set

out to raise heretofore unheard of sums of money for bricks and mortar, endowed chairs and professorships and endowment funds? Fortunately (depending on who one asks) yours truly and many of my esteemed colleagues in the higher-ed fund development field are ready at all times to embrace the daunting challenges of megacampaigns that mere mortals (and perhaps wiser people) are loath to accept.

The purpose of this treatise is to examine just what a Capital Campaign entails and to remove some of the mystery from this supposed ultimate form of fund development. After all, in virtually every capital campaign, the institution is asking trustees, alumni, friends and the community near and far to help raise unprecedented sums to the benefit of the institution and students. Current students, in turn, will make up the next generation of alumni and trustees who will be asked to give their "ultimate gift" in a future, much larger capital appeal. And the cycle will continue.



Charles P. "Charlie" Anderson has spent most of his professional life in the fund development field. After a brief sojourn at Hillsdale College the Rhode Island native returned to his home state, was drafted and served in the Army. Following his honorable discharge, the Vietnam Era veteran enrolled at the University of Rhode Island in 1969, where he earned his BA in Philosophy (minoring in Classics). Job prospects for pre-Socratic scholars being thin, he joined the initial matriculating class at Franklin Pierce Law Center in Concord, New Hampshire. At FPLC, Charlie co-founded Big Bird Enterprises, which provided breakfast foods and sandwiches to the fledgling law school community as well as Quasar, Inc., an automobile firm in Concord. The entrepreneurial bug had bitten.

Other auto ventures were followed by forays into the hospitality and lodging businesses. A chance visit to LaSalle Military Academy resulted in Charlie's recruitment by LSMA President Brother Louis DeThomasis to raise funds needed to save the school from almost certain insolvency. A modest (\$5 million) capital campaign provided the funds needed to bring the school solvent, and further initiatives added up to sizeable endowment funding. News of the successes at LSMA resulted in recruitment by various non-profit entities who

were in need of help in securing funding.

Since the early 1980s Charlie has served in major administrative capacities assisting such diverse entities as Asthmatic Children's Foundation, Hospice Care of Rhode Island, Greater Boston Food Bank, Tampa Children's Museum and American College of the Building Arts in obtaining needed funding. He was recruited to help the University of Massachusetts, Boston achieve its goal of \$50 million in the UMassFirst Capital Campaign.

Along the way, Charlie achieved the status of Certified Fund Raising Executive from the National Society of Fund raising Executives and was honored to share his expertises at several regional and national conferences. He has traveled extensively in search of donor dollars, notably to virtually all of the South America. He has also sought funding in such far flung outposts as Paris, the United Arab Emirates and Macau.

Charlie maintains residences in Ishpeming, Michigan and Atlantis, Florida. He is the principal of Anderson and Associates, a capital campaign consulting firm handling all phases of capital campaign strategies from feasibility studies to complete campaign planning and implementation.

## Anatomy of the Capital Campaign

The most apt visual aid to describe a Capital Campaign is that of a pyramid. A small number of donors provide the top 50 percent of the goal, with the base widening vastly as gifts of lesser and lesser amounts fill the bottom of the structure. It is instructive to remember that the \$10 thousand-donors are as important as the \$10 million-lead giver — it just takes 1000 gifts of this amount to match the lead. Likewise, 5,000 gifts of \$1 thousand will raise \$5 million. In a well thought out campaign, there will be many gifts under the lead and above the minimum to account for the final goal. One dare not enter such perilous waters without a plan and the following is but one individual's synopsis based on decades of observance and experience. Hopefully it will prove to be informative and not dissuade the reader from going forward with this most important development plan.

Should all department heads be queried on their capital needs, all can certainly come up with myriad real or imagined needs that will enhance their abilities to educate. But will they be embraced by those on whom the institution will rely upon to raise funds? It is doubtful that a \$25 million edifice complete with a ballroom to house the newly expanded Gay/Lesbian/Transsexual/Atheist Alliance would gain widespread support (at least on the East Coast) compared to the construction of a Technology Campus that would attract numerous Public/Private Partnerships resulting in procurement of government and industry funding and fame for the institution.

Once real needs have been assessed it is absolutely critical that a feasibility study by a reputable concern be performed before any numbers are discussed either externally or internally. A small state university with whom I consulted floated a goal of \$25 million prior to any feasibility study being done and the administration may well have to drastically revise their plans to coincide with reality. This hurts all parties concerned.

The identity and expertise of the company providing the study is critical in that the finished document will serve as a "business plan" for the campaign delineating sources of funding, timelines and an achievable final goal. The campaign for the Michigan Tech Fund at Michigan Technological University, a highly respected and internationally

renowned engineering school, recently announced that, as of June 30, 2008 the campaign had fallen 43 percent short of its \$45 million goal. Most interesting (and disconcerting) was that in the "restricted annual gifts" category only \$5.16 million dollars of the expected \$27.35 came in. On the other end of the spectrum, the fund received \$14.4 million in planned gifts, 156 percent of the goal of \$9.25 million. Quite a discrepancy! (Note: On October 1, 2008 Michigan Tech announced a pledge of \$10 million from an alum that puts the campaign back on track.)

Once the feasibility study has been completed the "Private Phase" begins with the first order of importance the securing of the lead gift that will set the bar for the entire campaign. It is customary for this phase to identify (and secure) up to 50% of the total campaign goal with the lead ultimate gift publicized only to subsequent potential large donors. Said prospects must be thoroughly screened to account for ability to give, specific interests, ("Edifice" Complexes, etc.) and affinity for complementary giving vehicles such as trusts, bequests, annuities, etc. that will enhance the value of their gifts. Timelines at this juncture must remain flexible with a resolve to not go into the final phase until the initial goal is reached. We all love a winner and it becomes much easier to ratchet up givers with perhaps less potential when they are aware that those who they respect and admire have found the cause to be so admirable that even the extremely well-to-do have reached deep into their pockets and beyond.

The "Public Phase" requires careful orchestration as to individual goals and timelines. The Michigan Tech Fund example cited previously gives evidence not only of anomalies that can skew results but a possibly unrealistic goal coupled with a timeline that allowed little flexibility before reporting the final results. There is as much danger to boxing one into a rigid time frame as fielding a perpetual campaign that will result in donor fatigue and potential disillusionment. Campaign officers follow a format that clearly articulates goals and deadlines to ensure that each of the many pieces come together.

When and only when the final goal is ensured should the campaign go into a celebratory mode. Publication of the imminent success, replete with a gala event to congratulate givers in all categories, inevitably brings further gifts or up-



grades as donors of all levels strive to be recognized as having contributed to the utmost of their abilities to a laudable enterprise. Surpassing the goal also ensures that the projects delineated will not be harmed by the inevitable failure of some pledges to be realized (sometimes as high as 10%) or other unforeseen contingencies.

### **Cautions In A Recessionary Spiral**

There are a few cautions to be aware of in uncertain economic times. Not all wealthy prospects, no matter how well researched, are “bullet proof” in a sluggish economy. And it is mandatory that “search engines” and other informative means be employed that reflect the *current* financial status of each prospect. In the case of Board members who are also prospective major donors, extreme care must be taken in assessing ability to make an ultimate gift as an unadvised request that fails to properly discern the ability to give or depth of commitment can rob an institution not only of an anticipated gift but also the services of individuals who heretofore may have been of great value to the institution. Once again, instilling a sense of “ownership” in the campaign is paramount.

Lack of available resources during an economic downturn in the “Public” phase of a campaign will most often be of greater urgency for those prospects of limited financial wherewithal. Simply stated, it is far more daunting to the alum who has yet to realize peak earning potential or amass a surplus of discretionary funds to justify a sizeable pledge than the institutions more established constituents. Annual Fund proceeds will characteristically ebb during any economic downturn and the addition of capital solicitations will, in most cases, further deplete the amounts that are received as prospects focus are asked to up their gifts to benefit the campaign. Budgets anticipating a level of annual participation should be looked at closely in anticipation of this transferal of funding from annual operating gifts to capital designation. Thus the pool of “general fund, undesignated” gifts will more than likely be seriously affected.

### **Reasons For Optimism**

Although there may never be a perfect time to field a Capital Campaign the needs of the institution and its con-

stituents will often dictate when one is necessary for the entity to grow and prosper.

The alumni base will be well aware of the value of their education in trying times and the necessity to protect the institution from calamity to the benefit of future graduates can certainly punctuate the necessity to contribute generously at this time.

Corporate funding may well increase as industries struggle to meet the needs of a rapidly evolving workplace that relies more and more heavily on skilled and highly educated employees. Public/private partnerships become much more attractive to both employers and the incubators that will fulfill R&D and other needs to the benefit of all participants while mitigating capital outlays for private entities.

From a marketing/public relations standpoint, your institution may well grow in stature by showing a resolve to provide a level of stability in a time when others are experiencing cutbacks and layoffs. Recruitment of both students and faculty retention figures may show increases due to the perception that the institution is stalwart in adherence to its mission and immune to the vagaries of outside economic forces. The excitement and positive energy generated by a major initiative cannot help but imbue all associated with the institution internally, community wide and wherever alumni may roam with a sense of pride and appreciation for the stewardship of the faculty, staff and directors who keep the lights of academia burning brightly.

### **Conclusion**

Should my institution field a Capital Campaign at this time? The answer is a resounding YES should the needs be clearly articulated and the campaign be well planned and all concerned be aware of the enormity of the task. Once the decision is made to pursue this course one must remember that failure cannot be an option. The importance of the initiative will no-doubt affect the institution and all even remotely connected to it for years and years to come, so all bases must be covered to make certain that the outcome is all but certain from the start. With caution and adherence to tried and proven principles every stakeholder will be empowered and rejuvenated by the final result. Go ahead and plan your campaign — you’ll be glad you did!

# The Law of Supply and Demand

*Eh?*

## A lesson in international development

Robert Richardson, U.S.AID Foreign Service Officer (Ret)

**A**fter a few weeks orientation in Kaffrine, John and I said farewell to Ellis, Dave W. and Donna as Hy Hoffman took us over to Kaolack and threw us on a “Car Rapide” for Guerina, south of Bignona in the Casamance.

We started our work at the United Nations International Labor Organization’s agricultural teacher training center.

During our spare time, however, as I was working at accumulating a nearly-fatal dose of Malaria (successfully as it turned out), John was doing some quiet research into the process through

which Mauritanian traders, arriving with a few packs of cigarettes for sale outside the market walls in the blazing sun, would wind up with their own stall inside the market, doing a land office business in many different staple items. John documented how an arriving “Naar” (a Senegalese pejorative expression describing Mauritians) would begin by selling cigarettes one by each and boxes of matches, eventually graduating to selling little tins of tomato paste and sardines, and progressing toward accumulating a cardboard carton for a sun shade.



Eventually, the “Naar” would be able to afford a place inside the market wall, progress onward to selling candles, instant coffee and, finally, to a stall with a powerful, Petromax pressurized kerosene lamp for night-time sales, a blaring transistor radio and the ultimate sign that he had arrived — a 20-liter French paint can filled with kerosene for sale by the liter.

John’s notes, accumulated through keen, persistent observation, could have been fleshed out into a top-flight Master’s thesis at any of the best MBA schools in the country. John captured a phenomenon that I have often witnessed as part of the centuries-old, trans-Sahara trading that continues today ... salt for sale in Hombouri and Douenza in Mali, Wolofs from Senegal selling bread in Northern Liberia, and even the Ghanaian “mammies” who sell dyed-pattern cloth all the way to Zaire and Angola. I remember hoping that I myself might come across some interesting and revealing mercan-

*As a U.S.AID foreign service officer, Robert Richardson was immersed in the field of government-funded projects that sought to strengthen our nation’s relationships with less-developed countries across the globe throughout his professional career.*

*Mr. Richardson emigrated to the U.S. from Canada in 1957 and attended Hamilton College in Clinton, NY. After graduating with a degree in Anthropology, he taught science and math at the Utica Free Academy for a year before entering the Peace Corps. He was assigned to Senegal where he was seconded to the United Nations International Labor Organization’s Agricultural Training Project in the Casamance Region. Upon completion of his tour as a Volunteer, Mr. Richardson joined the U.S. Agency for International Development in 1966 and, over the next 30 years, was assigned to Mali, Nigeria, Morocco, Zaire, Central America Region based in Guatemala, Egypt and U.S.AID/Washington. He began as a General Services Officer, moved to Food for Peace and then to Commodity Management where he backstopped the Vietnam Commercial Import Program and ran the Egypt Commodity Import Program, the largest single bilateral program in the history of U.S.AID. Robert Richardson ended his career with AID as Chief of*

*Commodity Procurement for the Agency. Mr. Richardson was the first U.S.AID Procurement Officer to be promoted into the Senior Foreign Service and was the first U.S.AID employee to win the prestigious American Foreign Service Association’s senior award, the Christian A. Herter Award in 1994.*

*After leaving U.S.AID, Mr. Richardson consulted at the World Bank on their Russian Public Housing Project and directed contracting at the Department of Human Services of the District of Columbia. He then was asked by the United Nations Department of Peace Keeping Operations to serve as Chief of Procurement at the UNAVEM III Mission to Angola, which was, at the time, the U.N.’s largest peacekeeping mission, with 17,000 troops under arms. After a number of other foreign aid-related consultancies, Mr. Richardson capped his career by running the logistics, procurement and contracting for the equipment and supplies provided by the U.S. Government to enable Iraqi high schools to reopen after the toppling of Saddam Hussein’s regime.*

*Mr. Richardson now resides with his wife Madeleine in Daniel Island, SC, and is currently working on a collection of personal vignettes related to his 40 years in international development.*

tile insight while we were there in Senegal. I finally did, but, unlike John's study, the insight that I gathered probably would have gotten me thrown out of the finest and, even not-so-finest, MBA schools in the country had I presented it as a thesis.

As it turned out, the opportunity was not very long in coming. We had just been displaced from our attractive, brand-new bungalow on the school compound and were told to see about occupying the much-preferable residence of the former French Regional Chief of Agriculture. We had some army-type cots, some rudimentary tables and chairs (all appropriate Peace Corps fare mind you), but our glorious front- and back-covered verandahs were bare of sit-upons.

Thanks to the previous Peace Corps Senegal I and II Groups, we had been reduced to a stipend of \$100 per month, which didn't provide much possibility for buying furniture, beyond buying a few woven grass mats to sit upon. We had seen some curious-looking canvas deck chairs similar to the old ones at the summer cottage but short, as if for use at the beach. Some of the older student teachers had a few of these chairs and they were really beautiful things made of varnished mahogany frames with a colorful canvas sling and they were surprisingly comfortable to sit in. They were reputed to cost 5,000 cfa (\$20 in those days) apiece, which was much more than we could afford, but I resolved to crack that nut and get some of these chairs anyway.

I learned where the artisan who made these chairs lived and, first weekend later, went to locate him while thoughts of The Wealth of Nations and The Law of Supply and Demand circulated in my post-Malarial brain. I was confident that a few lessons in the economics of discounts would carry the day if adequately taught to this artisan fellow.

I soon located the artisan who was seated in one of his creations, flanked by two of his cronies, who were similarly seated. They regarded me with the same bemused antici-

pation that any Senegalese with the slightest sense of humor reserved for an encounter with a "Toubab" like me. I gave the trio all the formal Wolof greetings, health, mother, father, kids etc. before being informed that they didn't speak Wolof but rather, Diola, which was usual for these parts. So we were reduced immediately to a two-sided conversation in broken (pulverized?) French.

After determining that he was indeed the maker of these chairs, I asked if he had any for sale. He replied, with a slight smile that, "No," he had none for sale. Undeterred, I asked if he could make some. He replied "Possibly."

I charged on and asked if, in the event he could "possibly" make some, "What would he charge for each one?"

He replied "5,000 cfa." Now I was in it.

Although my skin went clammy with anticipation of besting this bush artisan fellow and getting some nice chairs on the cheap, I had the impression that this fellow was trying to give me the impression of not being very swift, although he undoubtedly was. My mouth strangely went totally dry. French words that previously had rolled fairly easily off my tongue in Peace Corps training now scraped half way down up my throat and got stuck. But I soldiered on.

"Well, how much for TWO chairs?" I asked.

His brow furrowed. He hauled out his left hand and, with fingers spayed and lips moving, silently, he began to count. Maybe 15 seconds elapsed before he confidently told me "10,000 cfa."

My brain now signaled "We're not yet in discount territory," so I asked "How much for FIVE chairs?"

The brow furrowed a little deeper; fingers were spayed wider; lips moving more quickly but still silently. I waited perhaps half a minute until he pronounced, "25,000 cfa".

I was getting resentful and I figured that now he was toying with me. "Alright," I said, "How much for TEN chairs?" I had purposely made it easy for my opponent to do the mental math.

This time I waited for about a full minute before I got “50,000 cfa”.

I had barely started to wonder if the Senegalese culture could deal with the base-twelve, “dozen” discount, before almost shouting: “How much for TWELVE?”

He looked at me strangely for a moment before calmly stating, “I would never make twelve chairs.”

I had just been given a valuable clue but I had totally misinterpreted it and barged on to explain to this obviously simple soul about how discounts work. I asked how many

awhile until I raised my hand.

He raised his, and I slapped it resoundingly and shouted “Merci Wai” (Wolof for an emphatically-appreciative “Thanks!”).

They all understood that much Wolof and started to laugh boisterously themselves. I gave him two thumbs up, turned and headed back down the path from his house to the road.

It wasn’t until I reached the road, still chuckling, that it hit me. I had not only won but won big!!!

Throughout my career, no matter how badly I screwed up,

***I don’t know how many times I have thought about that Diola artisan. But this much I can say: He never failed me in all the forty years since that day whenever I came across someone whose motives or actions or attitude I just could not fathom. “Merci wai” again, to him.***

months it would take to get orders for a total of twelve chairs. He didn’t know, but offered that it would be many months. I then explained that he might have to wait six months or more before selling twelve chairs and get 60,000 cfa. But, I simpered, if he took an order for twelve chairs NOW, he could have maybe not 60,000 cfa but surely 50,000 cfa NOW to spend.

His cronies began a furious debate in Diola while I tried to figure out how to raise 50,000 cfa, when he accepted my logic. At last he raised his voice in Diola. His cronies fell silent.

He then stared into my soul through my eyes and told me that he knew what discounts were, but that he never gave them. I was floored.

“Why not?” I bleated.

After I make two or three chairs, he said evenly, I get tired of making them, so I should charge you MORE than 5,000 cfa each for any more than that.

I was stunned. I stood there probably with my mouth open, until I curiously began to laugh.

Well, maybe it was more like a loud chuckle. It went on for

my fitness reports always contained statements such as, “Always relates to his counterparts,” or “Unusual rapport with local officials,” or “Can always be counted upon for unusual cultural sensitivity.”

Well, maybe, but the reason for any of that went to the memory of that day, a few months after I had arrived in Senegal and didn’t buy those chairs. I had learned never to presume to impose my own cultural precepts on a person from a different culture. I had been taught, by an unwitting master, not to gloss over the obvious clues that come my way that explain why other people behave the way they do. The poor man could never bring himself to make twelve chairs because he really did not enjoy making them at all. And he had told me that rather clearly, although I didn’t get it at the time.

I don’t know how many times I have thought about that Diola artisan. But this much I can say: He never failed me in all the forty years since that day whenever I came across someone whose motives or actions or attitude I just could not fathom. “Merci wai” again, to him.

# West Africa Retrospective

John R. Dalrymple, Rear Admiral, USN (Ret)

From December 1988 to June 1991, I served as commander of the 6th Amphibious Marine Force (COMSOLANT). The mission of the force was to maintain military-relationships with countries in South America and West Africa. South American efforts consisted of bilateral or multilateral training operations between American naval forces (Navy, Marine Corps, and Coast Guard) and corresponding forces of South American countries. These operations were known as "UNITAS" and included counter-smuggling, fisheries protection, territorial waters enforcement and search and rescue operations. For the most part, the maritime forces of these countries did not have the resources or the training to effectively carry out these tasks.

craft, a submarine, re- Mauritania, Nigeria, Sao Tome & Principe, Senegal, Sierra Leone, Togo and Zaire (now known as the Democratic Republic of Congo). These countries were included in the WATC program because they were littoral countries who possessed either a small West Navy or Coast Guard capability. The tasks of these forces were similar to some of the tasks of our own Coast Guard. They included counter-smuggling, fisheries protection, territorial waters enforcement and search and rescue operations. For the most part, the maritime forces of these countries did not have the resources or the training to effectively carry out these tasks.



A native of North Carolina, Rear Admiral Dalrymple holds a Bachelor of Science degree in Business Administration from the University of North Carolina and a Master's degree in International Affairs from George Washington University. His military awards include the Distinguished Service Medal, the Legion of Merit (5 awards), the Bronze Star (w/combat V), and the Navy Commendation Medal (w/combat V).

From 1989 to 1991, he commanded the U.S. South Atlantic Force, where he was responsible for planning and conducting bilateral and multilateral operations and training with 10 South American and 19 West African countries. Prior to this assignment, Rear Admiral Dalrymple served as the Assistant Vice Chief of Naval Operations with responsibilities for organizational, financial, personnel, facilities and administrative management of the office of the Chief of Naval Operations

Rear Admiral Dalrymple retired from the Navy in September 1992, after 32 years of active service. At that time, he was serving as Commander, Naval Base Philadelphia and the Navy's Regional Coordinator for the surrounding four-state area. During this assignment, he worked with city and state government officials to develop a coordinated Base Closure Plan.

Other assignments included:

-Chief of Staff for the Naval Surface Force, U.S. Atlantic Fleet

-Executive Assistant to the Deputy Under Secretary of the Navy and the Under Secretary of the Navy.

-Command of six ships. While commanding the Guided Missile Cruiser USS WAINWRIGHT (CG 28), the ship won the Atlantic Fleet Battle Efficiency competition and the U.S. Sixth Fleet "Top Hand" award.

Following his retirement from the Navy, He served as the Executive Director of the

Navy League of the United States. There he directed the operations and programs of the 71,000 individual and 300 corporate member organization.

In 1997, Rear Admiral Dalrymple became Executive Vice President and Chief Operations Officer of the Navy-Marine Corps Relief Society (NMCRS), a global non-profit charitable organization with a staff of 275 employees and 3000 volunteers. The NMCRS mission is to provide financial, educational, and other assistance to members of the Naval Services of the United States, eligible family members, and survivors when in need.

Upon Retiring from NMCRS in November 2005, he established JRD Consulting Services, LLC, and currently is engaged in providing executive management consulting services, including assistance with Information Technology management, planning, and operations.

It was the mission of COMSOLANT to help with the training for these littoral operations and to discuss with the military and political leadership the many issues that they were encountering in their maritime regions. There were not many resources available to carry out this mission. Our program consisted of two approaches.

The first was to send one USN amphibious ship to visit five or six of the 19 countries each year. The ship carried a Coast Guard detachment to conduct training in the basic

personnel from DoD and Navy foreign military sales offices, and a medical officer.

In each country, in company with the U.S. Ambassador, we visited with key military and political leaders, usually including the commanders of the Navy and the Army, the defense minister, and frequently, the president. We listened to their desires for various forms of military assistance, which, except the case of the naval officers, frequently reflected agendas other than those involving the maritime

Comparison of measurements of life expectancy, educational care, and economic conditions with those that existed when colonial rule ended showed little or no improvement in the intervening years and in some cases that statistics available in the 1990s actually reflected negative progress. Country's that were net exporters of agricultural goods during the colonial period abandoned export agriculture because it was viewed as a passive tool of colonialism.

tasks outlined above, a platoon of Marines to conduct small arms and small unit tactical training, and several teams of Seabees to carry out small scale "help" programs consisting of repair and construction efforts on schools, hospitals, bridges and other projects that could be accomplished in a relatively short period of time — usually one or two weeks. Amphibious ship sailors helped with repairs to the local navy's patrol boats and other equipment, as well as volunteering to provide badly needed maintenance to school and hospital buildings' equipment.

The second approach consisted of carrying out "show the Flag" military staff visits to the remaining 12 or 13 West African countries not receiving a ship visit that year. Our goal was to attempt to have a USN presence in one form or another in each of the 19 countries each year. Twice each year up to six countries would be visited over a four to six week period. These two visits were conducted immediately before and after the five month South American deployment. A Navy logistics aircraft transported a diverse team to the countries to be visited. Our team consisted of me, a few key officers from my staff, the Atlantic Fleet Show Band,

missions. This was understandable since in most of these countries, the small Navies and their missions did not significantly impact the internal politics or external balances of power with their neighbors. There was, however, a relatively widespread understanding that the inability to adequately provide protection from the unlawful operations by fleets of fishing vessels and factory ships from Asia and other regions was rapidly deleting their fisheries. Similarly, they understood that widespread and largely unchecked smuggling operations were depriving their governments of revenue.

COMSOLANT's role was to provide training assistance, assess operational capabilities and effectiveness in carrying out the principal maritime mission, and make recommendations with regard to training and resources needed by individual countries to improve mission effectiveness. He did not have any direct control over Foreign Military Aid program dollars, nor could he negotiate foreign military sales contracts. U.S. foreign military sales personnel were brought along to meet with their counterparts so they could receive first-hand the host country's shopping list.



COMSOLANT staff officers met with their counterparts to plan for the military training and “help” projects to be conducted during the next WATC ship visit.

During the four or five day visit, as a part of our “people to people” effort, the Atlantic Fleet Show Band performed several times in as many geographic locations as time would permit. The shows were quite popular with the African public and usually drew large audiences.

In general, the African leaders were cordial hosts who seemed genuinely interested in various aspects of the WATC program.

Over the course of my 30 months or so as COMSOLANT, I visited 17 of the 19 West African countries participating in

to which assigned as well as the rest of the region. Although they frequently expressed a range of opinions on similar issues, their expertise was a great help to me in attempting to understand what I observed. The other factor that helped was the opportunity to observe and compare 17 countries in a relatively short period of time.

Prior to reporting for duty as COMSOLANT I read the “Country Reports” on each of the 19, as well as some articles and books written by people who had lived and worked in Africa. Their general conclusions were divided between whether the glass was half full and being filled or half empty and getting emptier. Based on my observations, I came down on the half empty side.

**Unfortunately, attempts at industrialization failed because of the failure to educate and develop a viable middle class. The result was a turn to subsistence agriculture that produced only enough for the people who grew the crops and required once agriculturally self sufficient countries to become net importers of food in order to feed its burgeoning urban populations.**

WATC, several more than once. The only countries that we did not visit were Liberia, which at the time was engaged in a bloody tribal war, and Zaire, which was also involved in an internal power struggle. These visits gave me opportunities to observe some of the political, social, and economic issues that were common in most of the countries visited and to draw conclusions about why many West African countries seemed to be unable to make any substantial improvements in political, economic and social conditions.

Admittedly, my conclusions are based on a relatively short period of observation that occurred almost two decades ago, and I was not nearly as well equipped to assess what I saw as the many dedicated and intelligent people who have studied and/or worked in Africa for an extensive period of time. For example, the majority of the ambassadors and deputy chiefs of mission in Africa who I met were “African hands” — career foreign service officers who had spent most of their time in Africa. As a group, they were very insightful and knowledgeable about the country

Comparison of measurements of life expectancy, education, health care, and economic conditions with those that existed when colonial rule ended showed little or no improvement in the intervening years and in some cases the statistics available in the 1990s actually reflected negative progress. Country’s that were net exporters of agricultural goods during the colonial period abandoned export agriculture because it was viewed as an oppressive tool of colonialism. At the same time, thousands begin to migrate from rural areas to population centers in order to find work in what national leaders promised as a move from a colonial imposed agriculture economy to industrialization of the country. Unfortunately, attempts at industrialization failed because of the failure to educate and develop a viable middle class. The result was a return to subsistence agriculture that produced only enough for the people who grew the crops, and required once agriculturally self sufficient countries to become net importers of food in order to feed its burgeoning urban populations.

One can conjure up all sorts of reasons for the failure to make significant progress in the years since independence. It is perhaps not fashionable to place a good deal of blame on the Africans themselves. After all, there are external factors that have also negatively impacted progress. But much of the problem lies in the culture of West Africa. It is an area with a culture that dates back thousands of years and much of the beliefs and practices in that culture are the root cause of many of West Africa's modern-day problems.

I will limit my discussion to four principal cultural issues which were present in some degree in all of these countries and which, in my view, substantially contributed to their inability to make significant progress.

- **Tribalism.** Loyalty to tribe (or if you prefer, ethnic group) was a much stronger bond than loyalty to a particular country. National boundaries established by colonial powers at the time of independence were based on colonial boundaries and did not take into consideration the traditional tribal and cultural problems that had always existed but which were kept in check under colonial rule. Tribal conflicts continue to result in large scale human tragedies such as those that took place in Rwanda and Liberia, and the current large scale violence in the Democratic Republic of Congo. These all too frequent conflicts have killed thousands, made refugees of thousands more, and destroyed much of the affected nations' already fragile economies and infrastructures. Even when tribal issues have not risen to the level of armed conflict, they stymie efforts to gain the national consensus needed for governments to function effectively. In one country we visited in which there were a number of different tribes, I had an opportunity to talk informally with the chief of one of the country's principal tribes. He was a scholar who had been called home from abroad to assume leadership of the tribe when his father died. In the discussion, I remarked on a problem the host nation's president was currently encountering getting the legislature to support one of his programs that, on the face of it, seemed to be a no-brainer. The Chief laughed and said: "You Westerners think that because you laid a façade of western government structure over our four thousand year old culture at

the time of independence, they are actually functional. The truth is that things only get done when the president can persuade or bribe enough tribal leaders to support his programs." While he may have been exaggerating the importance of his role as a tribal chief in national affairs, there was plenty of evidence that real power lay not in the hands of the western style legislatures, but in the hands of strong national leaders and the tribal chiefs.

- **Corruption.** Profiting from public service by taking bribes, kickbacks, and misappropriating funds occurs in every society. In the Western culture, however, it is held in check by a general consensus on the part of the society that such activities are wrong and punishable by imprisonment. This view of corruption is not shared by a large segment of the West African culture. Many believe that acceptance of bribes and kickbacks are the earned privilege of those who have achieved positions of responsibility in the society, especially government. This problem is exacerbated by the fact that many mid level government employees in Africa receive very little pay, and bribes and kickbacks provide an additional source of revenue. Of greater concern is the misappropriation of revenues and foreign aid by the top leadership of many West African countries. The consequence of this is that very little is left to support social development and economic growth. This in turn inhibits development of a viable middle class, creating society's composed mainly of the very rich and the very poor, further contributing to failure of the economies to prosper. The United States Government's Millennium Challenge Corporation was established in 2004 with a mission to "reduce global poverty through the promotion of sustainable economic growth." It recognized that corruption undermines every aspect of development and has made combating corruption one of its highest priorities. Hopefully, they are making some inroads.
- **Spiritualism.** Islam and Christianity are the predominate religions that have been exported to the region. However, African traditional religions are still important and even where other religions have achieved a foothold, African traditional religious beliefs and practices are still observed. Voodoo and Juju are a part of that tradition. Juju is particu

Our

## Twenty Questions:

### Defining the Challenge Facing America *After Bush*

OUR WORLD SEEMS SUDDENLY CROWDED WITH RISING POWERS: SOME GREAT, MANY SMALL, BUT ALL FULL OF UNBRIDLED AMBITION. SOME ARE BUSINESS FIRMS ENGAGING IN THE WORK OF NATIONS, OTHERS ARE NATIONS DIRECTLY ENGAGING IN MATTERS OF BUSINESS. SOME WRAP THEMSELVES IN THE FLAGS OF GOVERNMENTS, WHILE OTHERS PURPOSEFULLY AVOID THE TRAPPINGS OF STATEHOOD. A FEW WAGE WAR, BUT MOST ARE CONTENT TO TAKE ADVANTAGE OF GLOBALIZATION'S EXPANDING PEACE. ALL, HOWEVER, SEEK ORDER ON THEIR PREFERRED TERMS, WHETHER IT'S ALONG DISPUTED BORDERS, WITHIN TRANSFORMING INDUSTRIES, OR EVEN ACROSS THE GLOBAL ECONOMY. FOR AN INTERNATIONAL SYSTEM SUPPOSEDLY RULED OVER BY A SOLE SUPERPOWER, TODAY'S PLAYING FIELD HAS GROWN FAR TOO COMPLEX TO DESCRIBE USING "US VERSUS THEM" SCORECARDS, EVEN AS WE AMERICANS, WITH OUR NEED TO KNOW WHO'S WINNING, INSTINCTIVELY REACH FOR THEM.

Americans must resist that temptation as we leave the Bush administration to history's judgments, for such zero-sum calculations do us far more harm than good. America now occupies an advantageous though hardly commanding position in this international liberal trade order of our creating. This decades-in-the-making world system has spawned the most expansive and robust global economy in human history, thanks to our constant attention and willingness to defend it. As a host of new powers finally succeed economically within that order, America needs to accommodate their natural instincts to protect what they've achieved. We do that best by remembering our own rise many decades ago, when we were scared enough to reach for a "big stick" even as we were smart enough to "speak softly."

More than seven years into a global war that we alone among the world's great powers seem to recognize, America must choose more wisely its words, its enemies, and most importantly its fights. There is no greater uncertainty in the world today than that created when Americans speak of globalization as some uncontrollable alien force, for once Dr. Frankenstein disowns his "monster," we can't be surprised when frightened villagers show up with pitchforks and torches looking for blood. In short, nobody's composure matters more right now than our own.

Grand strategy is all about national composure, meaning that if it's well constructed and articulated, it should give us the confidence we deserve at this, our crowning moment of achievement. We have constructed a world in our image, one marked by profound economic integration, rising incomes and states both fracturing and uniting. With that un-

deniable force, known now as globalization, comes profound friction, which the Bush administration chose to reduce to a single label — a global war on terror. That proposed narrative has found little purchase globally. It simply does not resonate with the vast majority of the planet's inhabitants, who logically sense that today's global agenda encompasses far more than simply capturing and killing such bad actors. Just like America's westward expansion in the 19th Century cannot be summed up by the "Indian wars," today's stunning expansion of globalization cannot be reduced to merely a "war on terror."

Having said that, it's important to remember that grand strategy seeks to articulate the essence of proposed change, describing a future world's structure in general while not trying to predict its operation, much less its myriad of new rules, to any great degree. As we've largely constructed this world order, it's crucial that America take the lead in describing — in general terms — where it needs to go next, even as that evolution will inevitably be shaped by an ever-expanding roster of great powers whose answers to the question of "how?" will differ significantly from our own. Thus, for Americans to retain confidence in our proposed end, even as the means remain subject to constant negotiation by other powers, both great and small, we need to be able to break down today's increasingly complex global landscape into a series of discrete challenges. In that manner, we seek to define a future world order that consolidates and rationalizes globalization's rapid advance around the planet in a way that's conducive to democracy's ultimate triumph, just like our nation's rapid advance across the North American continent ultimately yielded true democracy in these United States.

To that goal, here is a series of twenty questions designed to disaggregate globalization's complexity while laying out the basic strategic principles that I bring as a grand strategist to these challenges. In this way, I hope to share my

perspective while leaving you more confident in your own ability to parse this era's problems and possibilities.

## DO STATES STILL MATTER?

Yes, despite many new challenges.

Think of the world as having three tiers: On top there is the system of states and all the networks that connect them, in the middle are the states themselves, and at the bottom are individuals like you and me. So from the bottom up, it's people living in states that link to one another within the international system.

For the last several centuries, states have been the only actors that mattered, but with globalization facilitating direct connections between nonstate actors (individuals, organizations, companies, etc.), that primacy has been threatened. This seems especially true when you realize that the overall density of network connections has reached the point where worldwide systems, such as the Internet or global financial markets, begin to take on a life of their own, exhibiting powerful dynamics that — under the right conditions — can bring a nation-state to its knees.

Some security experts likewise argue that transnational terrorist networks have evolved to the point where they can effectively wage war against nation-states using the dense web of global networks, putting them roughly on par with a government's military forces in terms



of power. This is Thomas Friedman's original concept of the "super-empowered individual."

So to restate the question, if it's basically the case now that nonstate actors can bypass states to connect across

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and manipulate international systems, have nation-states become an outmoded concept?

The answer is no, and here's the most compelling reason why: The countries that enjoy the most connectivity with the outside world, and thus whose individuals are most "super-empowered," feature the most extensive and powerful states, as well as the best-run governments. That means these states provide the most services, generate and monitor the most regulations, and generally control the most resources (taxes). And these national governments also tend to be overwhelmingly democratic.

So states still matter because their strength and their coverage create the conditions that allow individuals, groups and companies to maximize and optimize their connectivity with the outside world. What those nonstate actors accomplish through all that connectivity does indeed challenge the authority and power of states, but that just means that more connectivity and more technology do not lead to Orwellian dystopias, because, even with the rising threat of violent nonstate actors, the most globalized states will still err on the side of allowing more overall freedom.

Why start with this question? If states don't matter, then grand strategies don't matter and it's every man for himself. While that's still somewhat true in this competitive world, collective action will always beat individual action.

## II HOW MANY POLES ARE THERE IN THIS X-POLAR WORLD?

More than just us.

If there's just one pole — the United States — then consideration of our grand strategy takes on the almost unbearable heaviness of being the world's sole superpower. If there is more than one pole, then the pressure dials down somewhat because we're not the only ones carrying the load. In that case, our grand strategy, whatever it is, will account for only a share of that future world endstate without

needing to account for every last detail. Most of the time we think of those "last details" as being small countries in a region far, far away. In reality, we should think more in terms of the rules that govern interactions between states and nonstate actors. Take the Internet for example. It's not ours to command all by ourselves anymore. But as it continues to grow, we're less concerned with where it goes than we are about how it goes. Again, when globalization is in charge of extending networks, then we're not in the business of building empires but establishing rules — as in, "Give everyone the same open-door treatment."

If America's not the world's only pole, which seems a reasonable statement given the collective market and trade power of both the European Union and rising Asia (increasingly with China as its anchor), then can we state that America is still the dominant overall pole because it is the sole military superpower?

The answer to that question hinges on our ability to perform the essential system-maintenance security tasks of this age, which, judging by our postwar record, seem to consist overwhelmingly of: 1) Preventing destabilizing great power war; 2) Cracking down on bad regimes and internal civil strife; 3) Repairing failed states post-conflict, post-disaster, and post-regime change; 4) Policing transnational terrorists in states both functioning and failed; and 5) Preventing the spread of dangerous technologies that complicate our efforts in tasks 1-4.

America's preeminent military power means that there is a very high barrier to entry to the market called great power war; it takes such a big ante to play a hand of poker with us that no other great power seems interested in mounting that challenge on anything approaching a global scale. On that basis, we own the world's largest gun and basically can use it when we please. Does that capacity alone make the United States an unstoppable force? If all you want to do is take down regimes, then yes. But if your political system,

and global opinion, and your desire to “drain the swamp” of future threat all combine to hold you responsible for the postwar outcome, then I think it’s fair to state, on the basis of Afghanistan and Iraq alone, that — even in the realm of security — having the world’s biggest gun nowadays does not give you the right to act like as if it is a unipolar world.

some states matter more than others, no one state carries the burdens of managing this world on its own. What those answers mean is that I’ve already trimmed back much of the angst that most Americans feel when they contemplate grand strategy — namely, “It means we have to run the entire world and the world’s totally unmanageable!”

**THE FACT THAT AMERICA STANDS AS THE WORLD’S SOLE MILITARY SUPERPOWER ISN’T ENOUGH TO MAKE THIS A UNIPOLAR SYSTEM OVERALL, AND, QUITE FRANKLY, IT NEVER DID. THE BALANCING OF THAT MILITARY POWER WAS ALWAYS IN THE WORKS: AMERICA COULD ONLY AFFORD THAT FORCE IF OTHER GREAT ECONOMIES WERE WILLING TO FINANCE OUR DEFICIT SPENDING.**

So to answer the question: We clearly live in a multipolar economic world, and since the flag follows trade and investment, we can likewise say that we live in a multipolar political world where the vast majority of rule-set clashes are processed by committee. The fact that America stands as the world’s sole military superpower isn’t enough to make this a unipolar system overall, and, quite frankly, it never did. The balancing of that military power was always in the works: America could only afford that force if other great economies were willing to finance our deficit spending. Yes, we can lay a “big bang” on the Middle East through a regime-toppling exercise, but within a few years’ time many of the region’s oil-rich nations are, along with the Chinese, effectively playing IMF to our subprime crisis, the main difference being that these sovereign wealth funds got to keep the keys once they bought the distressed vehicle.

Now on to the question I’m most familiar with: If we try to shape the world through a grand strategy, does it mean never-ending war?

First, the facts: Classic inter-state wars have gone the way of the dinosaur, peaking in the mid-1980s and declining to their lowest levels since World War II, a decline of more than four-fifths. Both revolutionary wars and ethnic conflicts peaked right at the end of the Cold War and have declined by roughly half since, putting them in frequency ranges we haven’t seen since the 1960s. So if we’re doctors looking at our potential caseload, it’s most definitely decreasing.

In that vein, another way to frame the answer is to say that we’re now down to the most stubborn cases afflicting the weakest patients, so like an oncologist compared to an ear doctor, we’re faced with the reality that much of the time we’re not going to “win” in a conventional sense. Now, if you adhere to the Powell Doctrine, you’re more than happy to just show up every few years and pump a few rounds into the same, rotting corpse. But say you’re thinking more in terms of, “How do I/we achieve some progress here so

**III IS THE WORLD BECOMING CALMER OR MORE CHAOTIC?**

Yes, but not unexpectedly so.

So far I’ve written that states still matter and that, while

that globalization advances and I/we get a piece of the economic action on the far side?" At that point the "treat 'em and street 'em" mentality of the Powell Doctrine yields to the sturdy realism of what I might call the Petraeus Prescription: The new Army-Marine Corps counter-insurgency

time soon, even in the face of the current slow-down, unless the great economies turn on one another with destructive trade protectionism.

To meet that rising demand, globalization generates myriad forms of connectivity to facilitate the movement of

**GLOBALIZATION IS DRIVEN BY DEMANDS UNLEASHED BY MARKETS. SINCE 1980, MARKETS HAVE SPREAD DRAMATICALLY TO ENCOMPASS THE VAST BULK OF HUMANITY, MEANING THE LEVELS OF CONSUMPTION THAT WERE PREVIOUSLY AVAILABLE TO ONLY A SMALL FRACTION OF THE WORLD'S POPULATION, OR THE WEST, NOW BECOME POTENTIALLY — AND INCREASINGLY — AVAILABLE TO ADDITIONAL BILLIONS.**

field manual that posits a far longer-term rehabilitation effort.

If that's the case, then it's fair to say we face a future, not of never-ending war, but of never-ending postwar, and that means our grand strategy must involve significant assets being committed to such tasks, along with a sufficient patience regarding execution — including any definitions of "victory."

### III HOW CAN WE BEST DEFINE GLOBALIZATION'S SPREAD?

It's the extension of rules.

Globalization is driven by demands unleashed by markets. Since 1980, markets have spread dramatically to encompass the vast bulk of humanity, meaning the levels of consumption that were previously available to only a small fraction of the world's population, or the West, now become potentially — and increasingly — available to additional billions. That doesn't mean most will morph into middle-class status overnight ("Thank God!" says the environmentalist), but it does mean globalization's advance will not end any

goods, services, information, people and — most importantly — money. With that connectivity comes code, meaning new and more invasive rules. The more you connect, the more you become subject to code of all sorts. These new rules tend to shape economic behavior in general, meaning they reward desired behavior and punish unwanted behavior, but by extension, these rules also influence political behavior relating to security.

The worst sort of bad political behavior involves state-directed violence or the threat of such, whether it's against another state or against one's own people. The next worst sin is civil strife where really no one's in control. Naturally, the nastier the weapons and higher the casualties, the more globalization will punish that state by denying it connectivity. Globalization, like money, is basically a coward, but not all violence scares it away. State-directed violence that keeps the general peace is okay, so long as it is proportional to the problem and you don't have to use it too often. And collective violence against bad actors in the international system, such as a coalition of states coming together to topple an incorrigible regime or destroy a terrorist



**ANY GRAND STRATEGY HAS TO AIM FOR REDUCING THE OVERALL WORK LOAD FOR THE STATE INTERNATIONALLY OVER TIME, OTHERWISE IT'S UNSUSTAINABLE. VIEWED IN THIS LIGHT, ANY AMERICAN GRAND STRATEGY FOR GOING FORWARD MUST HAVE AS ONE OF ITS CENTRAL TENETS THE GOAL OF SPREADING ECONOMIC CONNECTIVITY FIRST AND FOREMOST, FOR IF IT'S NOT A "WASHINGTON CONSENSUS," IT OUGHT TO BE AT LEAST A PENTAGON CONSENSUS — ESPECIALLY AFTER IRAQ.**

network, is okay too, so long as the result is that you've left the country in question more connected to the outside world than you found it.

To sum up: Markets liberated, demand triggered, connectivity expanded, code extended, behavior restricted, less violence and more stability, and the virtuous circle keeps spinning, typically (but slowly) toward more political pluralism. That's how globalization spreads successfully and that's why extending globalization matters to any American grand strategy that seeks to improve the global security environment, meaning more security and more prosperity.

And when globalization fails to spread? Then you walk the dog backward: Less stability and more violence, behavior unrestricted, code rejected, connectivity denied, demand stifled, markets closed, and the vicious circle keeps spinning, typically and rapidly toward more political despotism or state collapse. And yes, that's how globalization's failure to spread sucks America into overseas military interventions.

Any grand strategy has to aim for reducing the overall work load for the state internationally over time, otherwise it's unsustainable. Viewed in this light, any American grand strategy for going forward must have as one of its central tenets the goal of spreading economic connectivity first and foremost, for if it's not a "Washington consensus," it ought

to be at least a Pentagon consensus — especially after Iraq.

## **V**IS GLOBALIZATION TRULY GLOBAL?

The most optimistic answer is still no.

I first developed this answer about 15 years ago when I was a young analyst working for the Department of the Navy. I was asked to update a database that displayed on a map all the places where the U.S. Navy and Marine Corps had been sent in recent years as part of contingency operations — namely, responding to regional crises. What I saw was a strong concentration of naval crisis responses in certain regions. Later adding in similar data from the Army and Air Force and limiting my view to the post-Cold War era, the pattern of responses became even more clear: Roughly 95 percent of all cases occurred in an equatorially-centered band that ran from the Caribbean Basin and the Andean portion of South America to Africa, the Middle East, the Balkans, the Caucasus and Central Asia, and extending eastward to the littoral states of Asia. Investigating these regions collectively, I found a world within our world that was truly Hobbesian in that it lacked an effective Leviathan and life for many people was "solitary, poor, nasty, brutish and short," to use Hobbes' famous phrase.

I dubbed these regions globalization's Non-Integrating Gap, meaning, compared to other regions, states here

were poorly or very thinly connected to the global economy, denying them growth opportunities and — not surprisingly — sentencing them to lives of great deprivation and violence. Basically, inside this Gap I can locate for you, since the end of the Cold War, all the wars, all the civil wars, all the ethnic cleansing and genocide, all the instances of mass rape as a tool of terror, all the situations where children are lured or forced into combat activity, all the UN peacekeeping missions, all the U.S. nation-building missions, over 90 percent of all terrorist activity and virtually all of the illegal narcotic exporters. Globalization had simply not penetrated these regions enough to produce deep and dense connectivity, so the resulting rule sets were weak, leading to continuing instability, “bad neighborhoods” where international investors dared not tread, and so on. The Gap is, in aggregate, a very hard place to live: Not enough food, not enough water, not enough energy, too many babies, too much disease, not enough medical care, not enough jobs, not enough education, too much strife, too many dictators, too many failed states, and too many women held back by custom or religion.

In contrast to this Gap, I also described globalization’s Functioning Core, or those surrounding regions within which states experience virtually no mass violence and zero inter-state warfare. These regions have already achieved high levels of overall connectivity and those levels are growing by leaps and bounds every year — especially among the states that have recently opened up to embrace globalization. These connections and all the traffic that flows over them are managed by an ever more complex web of rules, regulations and procedures. Life is far better in the Core: Longevity increases rapidly, fertility drops, incomes rise, kids get more education and women get far more freedom, states are stable and interact with one another with substantial routine and certainty, which only increases the already vast flow of trade and invest-

ments that knit these regions together all the more. Most tellingly, while many Core states cannot be described as true democracies, the vast majority of them regularly rotate their senior leadership every four to ten years.

By contrast, the vast majority of Gap states suffer one of the following two problems: They can’t keep a leader, on average, four years in a row or, worse, they can’t get rid of a leader in less than ten years. Naturally, neither situation promotes growing connectivity. When leaders change too rapidly or with great uncertainty, investors stay away, not being sure what the dominant rule set may be next year. In the case of long-lasting dictators, the problem tends to be that if you want to invest in that country, you have to bribe the “great man” himself, his brother, his cousin, his tribal allies, and the idiot son slated for eventual succession. By the time you’re done bribing everyone, your profit margin approaches zero.

So, putting these two definitions together, I say that right now globalization has grown to the point where at least two-thirds of the people on earth live in regions with strong connectivity and great peace and wealth (the Core), while at worst one-third live in regions with far less connectivity and wealth and stability (the Gap). Not surprisingly, virtually all mass violence and transnational terrorist groups emanate from the Gap, so if America’s grand strategy is aimed at creating a more stable world, then the main thrust of that strategy is quite clear: Shrink the Gap by making globalization truly global and extending its deep connectivity and binding rule sets to those regions that currently lack them.

As I said to Secretary of Defense Donald Rumsfeld’s senior staffers when I first briefed them on this concept in the fall of 2001, weeks after the 9/11 terror strikes: “The Gap is America’s expeditionary theater for the 21st century. It is not a neocon invention and it cannot be voted out of office. We either help shrink it out of existence or we’ll continue to feel its pain.”

## VI HOW DO WE MANAGE GLOBALIZATION'S FUNCTIONING CORE: BALANCE OF POWER OR CONTAINMENT?

It depends on how much we want allies instead of rivals.

The Functioning Core contains two wings: The Old Core of the West (North America, Western Europe, Japan, Australia and New Zealand) and the New Core of the South (Brazil, Chile, Argentina, South Africa) and the East (Russia and its East European former satellites, India, China, South Korea and several other "Asian tigers").

By and large, the Old Core has reluctantly acquiesced to the New Core's rise, sometimes offering welcoming seats at the table, and other times resisting their efforts to act as mediators between the Old Core and Gap states on issues of globalization. In two particular instances (EU vis-à-vis Russia and the U.S. vis-à-vis China), the relationship is somewhat more strained — a sort of "frenemies" condition that's not quite friends and not quite enemies.

So far, America has basically refused to choose with regard to the rising pillars of the New Core: Basically accepting all but making no grand gestures to include them further in the councils of great powers, save for Bill Clinton's efforts to bring Russia into the then-expanded G-8 and to create the larger pool, the so-called G-20, which meets at the ministerial level but not at the level of heads of state. Russia, for example, has a special but still somewhat distant relationship with NATO, and yet America continues to help Russia advance its drive to join the World Trade Organization (all complicated further by Russia's recent Georgian adventure). With China, it's much the same ambivalence. America supported China's entry into the WTO but still works its bilateral security alliances in Asia to "hedge" against its growing military prowess. Not surprisingly, the biggest power-integration invention of the recent past has been among the New Core powers themselves, with Russia and China coming together with a number of

**RUSSIA, FOR EXAMPLE, HAS A SPECIAL BUT STILL SOMEWHAT DISTANT RELATIONSHIP WITH NATO, AND YET AMERICA CONTINUES TO HELP RUSSIA ADVANCE ITS DRIVE TO JOIN THE WORLD TRADE ORGANIZATION (ALL COMPLICATED FURTHER BY RUSSIA'S RECENT GEORGIAN ADVENTURE). WITH CHINA, IT'S MUCH THE SAME AMBIVALENCE.**

Central Asian states to form and subsequently grow the Shanghai Cooperation Organization (SCO).

There is natural balancing going on within the Core as a whole, with Old Core powers viewing the rise of the New Core powers, as well as the growing cooperation among them, with some alarm. Hence, a certain none-too-subtle amount of containment-like activities are directed their way (e.g., expanding NATO, proposing U.S. missile defense sites in eastern Europe).

Absent serious alliance between both Old and New Core powers, the Old Core "West" cannot possibly take on the large challenge of shrinking the Gap in a political-military sense. Why? The Old Core simply doesn't have the bodies that the New Core powers can provide — and here I refer especially to the growing militaries in India and China. Nation-building, or post-conflict and post-disaster reconstruction and stability operations, requires a lot of boots on the ground. It's easiest to get those boots from countries still having lots of babies.

But it is also simply the case that New Core economies are far more naturally suited — and incentivized — to perform the economic function of integrating most Gap regions. So, in sum, I see much that is complementary be-

# Practical Inter-American Cooperation: An American Energy Community

The Honorable L. Ronald Scheman

**I**nternational cooperation is always difficult and contentious. The Americas have been no exception. With populism on the rise and contagion from the spreading economic recession severely threatening economic development the opportunity for innovation is ripe. Some enticing precedents exist. It pays to look closely at history and Europe.

Shortly after the end of World War II, the nations of Europe agreed to experiment with a limited, highly focused joint effort for practical collaboration with the European Coal and Steel Community. The effort became the building block for generating confidence among the European nations long torn by rivalries and war. The architects of the effort, Jean Monnet and Robert Schumann, set the basis for a regime by which the coal and steel resources of Europe would be managed on a common basis in order to assure access to all community nations. Jean Monnet clearly acknowledged that, “Europe will not be built all at once, or as a single whole: It will be built by concrete achievements which first create de facto solidarity.” To achieve this, he continued, required a pragmatic approach. “Attitudes must be changed ... Words are not enough. Only ... action on an essential point can change the present static situation.”



While the situation in the Americas is unquestionably different from Europe, the impediments to cooperation lodged in geographic barriers and limited financial resources are equally challenging. The Organization of American States (OAS), the hemisphere's political forum, has done admirable work in human rights but its achievements in advancing development cooperation are negligible. A new approach rooted in more pragmatic, functional collaboration is essential. The sharply focused European agreement points the way. And the challenge of global energy needs provides the opportunity.

mass renewable energy.

For the energy rich countries of South America, an energy initiative will attract investment in manufacturing and downstream value added production that will create jobs. With inevitable rising energy costs, the supply chain that allowed the transport of raw materials from Brazil to China to produce goods to transport to Los Angeles and still be competitive will be coming to an end. The efficiency of producing goods in Latin America using Latin American energy and raw materials to produce value added products close to their source is the supply chain of the future. This was the

**A long-term plan for the Americas to achieve energy security must address the scale of the market by integration and the interconnection of power grids, the adoption of policies to harmonize legislation and taxation affecting different types of energy sources and reshaping the physical and economic infrastructure to provide generating and transmission networks. Most important is a secure means of sustainable finance.**

The goal of creating jobs and promoting economic growth in all the American countries lies in the rich energy resources of the hemisphere. For the U.S., the value is clear. The proclaimed goal of achieving energy independence cannot be achieved by the United States alone. Still, it can be achieved in cooperation with all of the Americas. It also opens the path to reduce the hemisphere's seemingly intractable poverty that generates immigration and narcotics problems for all.

For Latin America the benefits are even more important. Our hemisphere has both energy rich and energy poor countries. While the Andean nations, Brazil and Canada boast of prodigious resources, Central America and the Caribbean are disadvantaged. An energy initiative can stimulate investment not only in traditional energy resources but in the region's abundant capabilities in solar, wind and bio-

pattern in the last century that impelled the U.S. economy in places such as Pittsburgh. Environmental and energy trends will see that pattern reemerge. No company that invests in manufacturing in Latin America will have worries about importing raw materials or a source of energy. Even China and Iran are conscious of its importance with their increasing forays into the region.

The goal to overcome the asymmetry of energy resources and achieve balanced development among the American nations requires overcoming several very specific and complex problems. A long-term plan for the Americas to achieve energy security must address the scale of the market by integration and the interconnection of power grids, the adoption of policies to harmonize legislation and taxation affecting different types of energy sources and reshaping the physical and economic infra-

structure to provide generating and transmission networks. Most important is a secure means of sustainable finance.

Inter-American cooperation for energy is the ideal sector for private-public sector collaboration. Finance for investment has been severely curtailed in the past by indiscriminate, erratic and often corrupt government intervention. Even without such obstacles, the problem of finance is huge for small governments with meager tax bases. In contrast, pooling resources and relying on the asset value of

financing necessary to achieve these objectives. The banks have diffuse mandates and can only use a small portion of their resources for these purposes. A more focused and dedicated approach is needed. An American Energy Community dedicated exclusively to this purpose would provide a strong impetus for comprehensive, balanced development of the energy resources of the Americas.

The major work of the authority governing the community would be to address the legal, institutional and administra-

**Working together on a specific, solvable problem to tap the great energy wealth of our hemisphere can enable the United States, Canada and Latin America not only to put us squarely on a road to energy independence, it can provide the spark to galvanize a new sense of purpose among the American nations.**

the resources to be extracted opens far more prolific sources of finance. A hemispheric energy community would have the ability without requiring significant government resources by issuing bonds securitized by energy revenues to provide financing for the construction of dams, gas pipelines, integrating power grids and expanding distribution in rural electrification programs. Financing from a hemispheric authority could be provided for countries short on fossil fuels to develop alternative renewable sources such as hydroelectric, geothermal, solar and biomass out of the common energy fund as well as to promote energy diffusion and conservation initiatives. Energy, traditionally financed by market-based finance securitized by the energy resources themselves, can finance its investments with bonds secured by energy resources.

While the international financial institutions such as the Inter-American Development Bank could have a supportive role, they have limited capacity to provide the amount of

tive barriers to competitive production and distribution. The Authority could create a comprehensive framework for nondiscriminatory energy investment and the integrated networks, analogous to what the Europeans did in the 1950s. This means facilitating exchanges of power based on reciprocal and nondiscriminatory treatment and market access no matter where an energy facility is located. An American Energy Community could provide a major impetus to sensible coherent energy policy including:

- Issue bonds for specific projects with mechanisms to securitize its obligations without calling on governmental guarantees
- Provide finance to develop each nation's most economic sources of supply such as hydroelectric, LNG or nuclear plants, or to help finance energy conservation measures
- Improve electric distribution by integrating standards, regulatory frameworks, and power distribution
- Provide a consistent regulatory framework to provide in-

centives for rural electrification and to assure a level playing field for all types of energy generation and distribution.

- Eliminate barriers and subsidies that undermine cross border trade and impede expanding capacity to provide access to energy to all sectors, especially in rural areas.
- Set up payment mechanisms to facilitate inter-company exchanges, thereby obviating current obstacles whereby payments are often required in advance, with uncertainty and delays in clearing payments.
- Maintain a continuing energy inventory of all types of potential energy sources such as geothermal, hydro, solar, wind, biomass and other renewable sources.

The rich endowment of natural resources of the Americas constitutes an exciting pillar for practical cooperation for development throughout the Americas. It is not only in the national interests of the United States but of the entire democratic world to develop the energy resources of the Americas. Whether it is to strengthen democratic institutions, protect our environment or stem illegal immigration and drug traffic, the achievement of these goals is far more feasible and less costly among countries that are prospering from their rich endowment. Tapping the natural energy endowment of the Americas will release even greater quantities of human energy. Increasing prosperity will feed on it-

self as investors look to the Americas for stability and energy security. President Chavez of Venezuela attempted to take advantage of the obvious need by promoting his own version of an American Energy Community when energy prices were high. While a unilateral effort by the United States may be suspect, a multi-lateral energy commission integrating sustainable finance from global markets may be just what the countries of the Americas need to jump start genuine collaboration.

Just as the European Coal and Steel Community played a vital role as a catalyst for the European Union so can a new American Energy Community joining public and private sectors fuel pragmatic, functional cooperation that builds confidence among all nations. Working together on a specific, solvable problem to tap the great energy wealth of our hemisphere can enable the United States, Canada and Latin America not only to put us squarely on a road to energy independence, it can provide the spark to galvanize a new sense of purpose among the American nations. It will be an incubator for practical experience of the American nations working together on specific, solvable problems that are urgent national priorities for each country. There is no better way to generate confidence than to build on practical, achievable objectives.

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# TWENTY QUESTIONS:

## DEFINING THE CHALLENGE FACING AMERICA AFTER BUSH

*Continued from page 33*

tween the Old Core and New Core on the issues of making globalization truly global, but only if both sides synchronize their respective grand strategies with precisely this in mind, and with the Old Core realizing the limits of its resources and thus tapping the New Core's natural ambitions.

### **VII How should we manage globalization's Non-Integrated Gap: Containment or rollback?**

Containment won't work the same way it did for the Soviets.

When we initiated this grand strategy with the Soviet Union, it was experiencing rapid recovery from WWII and projecting long-term strength. Grand strategist George F. Kennan's diagnosis was correct: If contained and denied expansion, the Soviet system would eventually rot from within. But we're already past that argument on the Gap. We don't need to wait them out; the suffering many states there already feel is a big source of the instabilities and threats we seek to manage. So, containment is really not an option. Integration is the only option, in large part because those "three billion new capitalists" in New Core states will simply force such economic networking through their growing demand for commodities.

Should that integration process include the occasional rollback of particularly egregious regimes? Under certain circumstances, yes. For the sum total of the suffering he inflicted on his people and the violence he led and threatened against his neighbors, Saddam Hussein's regime deserved toppling. Iraqis, of course, deserved a much better postwar effort out of us in return. But that failure doesn't negate the global community's decision that

Saddam needed to go (expressed in many UN decisions), even if the Bush administration became self-destructively unilateral in the execution of that task.

Okay then, if Iraq was a legitimate target, then why not Iran next?

Here's a simple rule: Truly totalitarian states, or regimes that seek to control every aspect of their citizens' lives, deserve serious pressure culminating in regime change. Why? Such regimes will always seek to keep their populations extremely disconnected from the outside world, so a strategy of the "soft kill," or weakening them slowly by extending connectivity, is unlikely to work. Letting people there suffer decade after decade is simply wrong. So is letting that regime ruin the region's investment climate.

Kim Jong Il's regime in North Korea is such a totalitarian state. Iran is not.

Iran's rancid authoritarianism seeks to control aspects of its citizens' lives — primarily political and religious. It also controls far too much of the economy to the corrupt benefit of its elite — especially the Revolutionary Guards mafia. But Iran's theocracy does not aspire to true totalitarianism, so there's enough of an opening there, especially with a relatively young population (70 percent under age 30) for the soft kill strategy to work.

We must give priority to the totalitarian regimes, and the especially brutal dictators — like Zimbabwe's Robert Mugabe — but we must manage authoritarian regimes through rising connectivity, meaning we work Iran like we've successfully drawn China into the global community (remember when China was a "crazy" nuclear power that issued all sorts of "irrational" threats?). Yes, that takes time,

but if you're creating economic liberty in the process, be patient on the political freedom.

### **XVIII Is the United States government well structured for the tasks that lie ahead?**

Absolutely not, as we've proven abundantly in Iraq.

To be serious about blending a foreign policy that is part diplomacy (extending rules), part defense (the stick), and part development (carrots), we need a cabinet-level department that focuses on getting weak or failed states from war to peace, from instability to stability, from disconnectedness to connectedness, and from the Gap to the Core.

The Department of State logically plays your "good cop," closing out past conflicts and building Core-to-Core relationships. The Department of Defense should remain our "bad cop," dissuading potential near-peer competitors (which is not hard, as there are currently none) and policing the Gap as the Core's representative Leviathan. But we need a third player to work the transition from Gap to Core. I have dubbed this new, non-existent agency (somewhat jokingly) the Department of Everything Else.

Why the DoEE? First, I'm not sure about everything that needs to go into that department, although I'm certain that the U.S. Agency for International Development needs to be liberated from the stifling embrace of the State Department, where it's been imprisoned for years now. Until we create a DoEE-like entity, the world will never take us seriously as a committed postwar player inside the Gap, and such efforts will never get the priority and resources they need within an American

grand strategy that focuses on shrinking the Gap.

Second, I suspect that the ideal structure of any DoEE might be very different from a traditional U.S. government executive branch department. Rather than pulling in offices and bodies from all over the government and trying to make a single culture out of them all, as the misguided Department of Homeland Security is struggling to do, I suspect a smart DoEE would have a real budget but would draw people from other agencies, as well as the private sector, on an as-needed basis, meaning when the contingency arose. In this way, the DoEE would be more of a public-private partnership that's simultaneously a standing, U.S. government-wide joint task force that's ready to replicate itself into as many copies as required for whatever workload exists at that particular time. Why is this useful? Clearly the U.S. government needs to be able to tap into the private sector for the serious investment dollars and infrastructure-building knowledge. But more importantly, for the long haul, we need an entity — something besides our existing good and bad cops — to which allies like Russia, India, China and Brazil can attach their similar efforts. These states will find it too complicated to work these efforts with State and too ideologically offensive to do so with Defense, and so we need to create a new partnering entity for the U.S. government as a whole.

Third, and most cynically, when our military commanders in the field tell us that “there's no military solution to this political problem” of post-whatever stabilization operations, their real problem is that, whether they realize it or not, they're already working for a Department of Everything Else, without the benefit of its existence. Because when they come back to the Pentagon looking for help, they're told, “Sorry, we're too busy planning our brilliant, high-tech space wars with the Chinese for a generation from now!” And when they show up at Foggy Bottom, the diplomats confess, “I have no idea what you're talking about, but here's three more offices you can tell your story to.” Until we give that commander, and everybody else in the field who's working this problem set to the best of their

ability, a serious bureaucratic center of gravity in the U.S. government, one that attracts budget and private-sector help and appropriate allies, we will continue to under-perform in these post-whatever situations, and we'll inevitably become self-deterred from even engaging the crises we already have.

Over time, the United States will be reduced to a military-superpower-without-portfolio in this revolutionary age of advancing globalization. Aspiration without resources is delusion, and a grand strategy without serious bureaucratic commitment is pure folly.

### **IX Is America's military well structured for the tasks that lie ahead?**

No, but failure is a wonderful teacher.

In my previous books, I argued that the U.S. military was — on its own, de facto — splitting itself back into the two components that constituted our national security establishment before World War II: A war-fighting Leviathan that we broke out only when we needed to wage war, and a System Administrator-style constabulary force that we maintained constantly for frontier-integration and policing functions. Back then, the Army, in the form that we recognize now, was “raised” (the word comes right out of our Constitution) on an as-needed basis. Our SysAdmin-style military arm, which the Constitution ordered the U.S. government to “maintain” at all times, was known as the Navy and the Marines, along with the Coast Guard. So we had a bifurcated force: A Department of War (our Leviathan Army that we only constituted in times of crisis) and a Department of Everything Else (the Department of Navy). We fielded one force to fight our wars and another to maintain our network ties with the global economy: Simple “freedom of the seas” at first, but expanding to open doors and all sorts of other connectivity-building treaties and alliances over the decades. Internally, we likewise routinely cannibalized our Leviathan Army into SysAdmin-style units (think of U.S. Cavalry units in the trans-Mississippi West following the Civil War) that served to police our expanding western border territories, in effect previewing the same stabilization role our Army plays today in

Afghanistan and Iraq.

When we stumbled unexpectedly out of the Cold War era and into this age of globalization, our Leviathan force reigned supreme, so much so that every military branch fielded its own version and no one — besides our Special Forces — was interested in, much less optimized for, the “everything else” that goes with pre-war and post-war operations. The Leviathan function dominated at that time for two reasons: The Cold War threat of global war with the Soviets had necessitated such a focus and the military in general remained committed to avoiding the mission creep toward nation-building that it had once suffered — and suffered badly — in Vietnam.

What that profound institutional bias meant, as we moved into the post-Cold War era, was that we were essentially buying one military (the overstuffed Leviathan) while operating another (the under-resourced and over-used elements trying to cover the SysAdmin function). Wars, such as they were, became shorter, easier and cheaper to wage, and required fewer soldiers. Postwars, to use an imprecise term, became far longer, harder and more expensive to wage, and required many more soldiers. We fielded, in effect, a first-half team (war-fighting Leviathan) in a league (the post-Cold War environment) that insisted on keeping score until the end of the game. As such, we could whip any conventional opponent in the first half, only to get our asses kicked by insurgents and the “everything else” in the second half — Iraq and Afghanistan in a nutshell.

Naturally, in response to the institutional pain (read, casualties) experienced in these post-9/11 interventions, those elements across the U.S. military that naturally got stuck with the SysAdmin portfolio (especially the U.S. Army), began to agitate for new tactics and doctrine, better planning and organization, more bodies and bucks, and more appropriate technologies and platforms. This is the story of institutional reform within the U.S. military over the past half decade. Suffice it to say my vision of a Leviathan-SysAdmin split within the U.S. military is proceeding apace. Not because it's my cool idea (I was hardly

the only strategist pushing these ideas), but simply because these institutions were organically responding to failure and pain.

Victory teaches little, but defeat motivates greatly.

We're not there yet, but the change is happening and reaching critical mass, and for that reason alone — that need for institutional reform — it was worth it for the United States to go into Iraq and endure this difficult occupation. It alerted us to the profound mismatch between our implied grand strategy (articulated miserably by the Bush administration) and our Cold War-legacy military.

### **X What does America risk by focusing on the Gap?**

Less than you might imagine.

The main arguments against focusing our grand strategy on the goal of shrinking the Gap are: 1) We'll get exhausted; 2) We have no patience for this sort of thing; 3) We'll lose our virtue in the process; 4) We'll be diverted from the Core-focused task of managing the rise of China, thus risking system-level war with the Chinese down the road; 5) And when #4 happens, we'll no longer have the necessary Leviathan to fight that war because we will have built up our SysAdmin force instead.

My counter to these arguments is that if we don't engage the Gap and promote its integration with the world, that forest fire will burn out of control and eventually threaten globalization itself. That process would likely force other Core powers, especially China, to step into that fray on its own and in opposition to either our bungling approach or our growing isolationism. Then we'd be looking at the same dynamics of conflict with China over the very resources and markets we both need to develop for our collective economic advancement. We'd end up destroying the Gap to save the Gap, because we'd each approach the task with opposing definitions of "saving" that likely would eventually replicate a sort of colonial land grab from the 19th Century.

So, assuming we don't want to replicate that era's mistakes and transform today's American-sourced globalization (that international liberal trade

order) into the 19th Century's European colonial world order, we need to organize — after first enunciating and selling to others a coherent American grand strategy that clarifies our intent — a better Core-wide approach to shrinking the Gap and making globalization truly global, as well as socially just, environmentally sustainable, and resilient in dealing with breakdowns and security threats.

If we make that effort to enlist the Core as a whole, there is no chance we'll become exhausted, and there is little reason why we should lose our patience or be corrupted by the process. Moreover, such alliance would eliminate the danger of downstream war between states in the Core, along with the danger of our not having sufficient Leviathan forces for such war.

Of course, if you think China's rise is the be-all-and-end-all definition of future system-level threat to America's security and prosperity, then I've likely lost you already. But if you don't, I'd like to convince you that America has much bigger fish to fry than the Chinese.

### **XI How does America most effectively reduce those risks?**

By taking great power war off the table for good.

The first order of business is eliminating any possibility of war with China and seeking strategic alliance with the Chinese. That means: 1) Continuing to make clear to Taiwan that it cannot declare war between China and America; and 2) Exploiting and/or engineering Kim Jong Il's fall in North Korea so as to use that event as the cornerstone of an East Asian NATO.

Once the possibility of great power war in Asia has been abandoned, the next step is to engage first China and then India in a serious dialogue about what each nation's military might bring to the SysAdmin mix that America's newest combatant command, Africa Command, is trying to generate there. Why Africa? Both India and China are developing strong trade and investment ties throughout the continent, and both peoples have long-standing expatriate populations living there. Neither comes to Africa's current situation loaded with past colonial bag-

gage. Indeed, neither does the United States. In addition, Africa is a strategic environment where none of the three has ever spent any serious time in disagreement, much less conflict, so it's a good place to grow a new style of foreign policy and military cooperation.

A second place to build such a relationship is in Central Asia, which means U.S. Central Command needs to reach out dramatically to the Shanghai Cooperation Organization, accessing Russia in the bargain and possibly generating a new avenue of rapprochement with Iran, a country currently seeking membership in the SCO.

The purpose of all these steps?

The biggest danger out there right now is America's myopic fixation on Iran's movement toward nuclear capability. Iran has burgeoning trade and investment ties with Russia, India and China, constituting more of a market for Moscow and a much-needed energy source for increasingly oil-and-gas-thirsty New Delhi and Beijing. If the United States forces the issue to the point of military strikes and possibly extended warfare, then we'll risk a severe realignment globally, with this New Core trio siding with Tehran against a seemingly out-of-control Leviathan, operating without license. Conceivably, such a showdown could trigger further Asian unity against the West, corresponding to the Shia-Sunni divide in the Middle East.

Instead of fomenting such an East-West divide over the critical issues of Asia's growing dependency on Middle Eastern and Central Asian energy, it would be better to build new military-to-military cooperation with all three New Core powers in Africa and Central Asia, while inviting all — plus Europe — into a comprehensive regional security dialogue over the Middle East. No "grand bargains" please. Building these strategic relationships will take years. But better to engage in that long, confidence-building effort than to surrender our future to the passive-aggressive grand strategy of simply letting these rising great powers slowly drift into becoming distant, mistrustful rivals.

So the key next steps in any American grand strategy to shrink the Gap involve defusing — preemptively —

any New Core-Old Core tensions that may trigger downstream competition of the antagonistic sort. The last thing any great power in the Core needs is a lot of mid-tier powers inside the Gap playing them off against one another in a resource-constrained environment. There's simply no point in any of the Core's great powers being led to believe that there's a zero-sum race for resources inside the Gap. Simply put, there is no mini-world economy that any Core power (or any combination of Core powers) can carve out of globalization today for exclusive use while maintaining a substantial long-term growth trajectory. The Core's great powers are already far too interconnected for such a strategy to be anything but impoverishing, internally destabilizing, and genuinely disastrous for the global economy upon which a great deal of our collective future depends.

### **XII In shrinking the Gap, how much should America try to do on its own?**

As little as possible, but just enough to display real leadership.

Unilateralism arouses suspicion that we're secretly engineering zero-sum outcomes that favor only ourselves. Worse, unilateralism breeds the need for more go-it-alone-ism over time because it tends to isolate those who practice it. When, for example, you pursue a largely unilateralist course on the war, then you get stuck with the bulk of the kinetic (as in, shooting) responsibilities for the postwar (begging the question, Why try to be all things to all people, especially those under the duress of conflict?). Plus, the more blood you sacrifice in the war, the more pressure you'll feel to dominate in the postwar ("What did our troops sacrifice themselves for?"), and that tends to confirm the suspicions of others that you were seeking the lion's share of any postwar advantage. Unless you're multilateralist, approval from international groups, such as the United Nations, G-8, and NATO, gets much harder to achieve. Finally, Americans need to realize that other nations want their militaries to participate in military interventions whenever possible: For the prestige, for a seat at the postwar table, and, on a very basic

level, for the operational experiences for their forces. But none of these smaller states can afford anything but a sure win, so overwhelming multilateralism is always the best way to proceed into a conflict because in the end, nobody really wants a fair fight.

In grand strategic terms, the rule on both war-fighting and peacekeeping must be the same: Not merely come as you are (meaning, bring what capabilities you can), but come when you can (either the war or the postwar). Denying smaller countries access to the postwar, even in a purely non-military sense (i.e., they just want to do the humanitarian aid or reconstruction), simply because they're unable to commit forces to the war, is a huge mistake. Why? In most war/postwar sequences, more troops will perish in the latter than in the former — just look at both Afghanistan and Iraq. Plenty of those more numerous postwar casualties will be civilian, including many contractors in the security field. Pretending that the most important casualties are those that occur in initial war-fighting (and are regular military) does two bad things to allies: It either shames them into not trying at all in the second half (postwar) because they can't mount anything in the first (war), which denies you both resources and the approval of others; or, worse, it teaches them that they need more substantial militaries if they want a say in the outcome, which only encourages military build-ups we'd rather not see.

### **XIII How should we define a division of labor with other Core powers?**

As transparently as possible, letting great powers select their roles.

One way to define this is to suggest an international process for rehabilitating politically bankrupt states. When a state experiences sovereign bankruptcy, in an economic sense, it typically turns to the International Monetary Fund for guidance on how to proceed. The IMF has a rough A-to-Z proceeding for sovereign bankruptcy. Russia went through this rehabilitation in the late 1990s and Argentina went through a similar process in the mid-2000s. Why did we let them back onto the playing field? Because doing so was easier and cheaper in the end.

What would such an A-to-Z rehabilitation process look like for a politically bankrupt state, such as a failed state experiencing collapse or an authoritarian state doing harm to either its neighbors or citizenry? In *Blueprint for Action*, I proposed recognizing a six-part system that functioned adequately twice in the Balkans, first in the Bosnian intervention and later in the Kosovo intervention. This is how I would succinctly describe this rule set:

- The United Nations Security Council effectively acts as a grand jury that indicts bad actors in the system.
- A collection of the world's largest economic powers (start with the G-8, but move toward a future G-20 that meets in its entirety at the heads-of-state level) would act as functioning executive through the process of rough consensus, but not unanimity (meaning no vetoes, as members opt-in or opt-out on a case-by-case basis).
- When sanctioned by such a functioning executive (a role fulfilled by NATO alone during both Balkans interventions), a U.S.-led Leviathan force would engage the situation for whatever war-fighting was required.
- The U.S.-heavy Leviathan would be relieved as quickly as possible by the follow-on, far-more-internationally-manned SysAdmin force, which the U.S. military would support first and foremost in terms of logistics, command-and-control, intelligence, and airlift.
- A fifth link in the chain would be a permanent international financial institution devoted to postwar and post-disaster funding of reconstruction efforts, as much as possible in conjunction with private-sector infrastructure providers.
- The final step involves the adjudication and imprisonment of all local actors cited for war crimes in the International Criminal Court.

Sound complicated? Again, this is how it basically unfolded twice in the Balkans. All I'm talking about is codifying it and making it transparent. Why is this crucial? Because those who will fight you on the first-half decision to intervene militarily will be those states that fear a zero-sum economic outcome in the second-half reconstruc-

tion. Typically, these states will have better deals already in place, like those countries involved in the Oil-for-Food scandal in Iraq prior to 2003. Ignoring those economic interests is unwise and counterproductive, unless you're more interested in economic domination than in getting the political-military win.

#### **XIV Shouldn't America stick with the allies that we know?**

As much as possible, but realizing their limits.

The great quartet of Anglo states (United Kingdom, Canada, Australia and New Zealand), which helped us build and maintain the West's Leviathan force during the Cold War, all feature militaries that can do much to teach us and augment our own SysAdmin efforts. Canada and New Zealand, for example, have a long and distinguished history of peacekeeping. British troops typically handle counterinsurgency well, given their long track record (most recently, Northern Ireland), and when it comes to certain special operations, the Australian SAS (Special Air Service) sets a global standard.

But here's the larger reality: None of these countries are having enough babies, meaning they're demographically moribund. So not only are their current militaries small in number, but they're unlikely to get any bigger over time. On that basis alone it makes sense for America to ally itself more and more with rising New Core military powers like China and India, two states with large and relatively cheap armies. Again, in a frontier-integrating age, go with the powers most incentivized to get the win, meaning those most willing to protect their rising economic and network connectivity with the outside world. A good hint? When a troubled region, like Africa, hosts lots of foreign nationals from certain countries, those are probably good countries to seek out as SysAdmin-force-providing allies. Another good hint? Seek out great powers with rising military budgets.

#### **XV How can we trust these emerging great powers to do the right thing?**

First, by expecting them to be exactly who they are.

Don't expect the Chinese to be anything but Chinese, or the Russians to be anything but Russian, or the Indians to be anything but Indians. Assuming identity of interests, much less world outlooks, simply because such countries join an American-engineered coalition is unrealistic in the extreme. Why? Because there is no reason for any of them to expect the Americans are going to be anything but American — through and through.

But here's the main reason why we can trust them over time: The West's "war" against radical Islam is a war of discipline, not survival. There is zero chance that the West will be overcome in this conflict. Indeed, the far more likely outcome is that the Islamic Middle East will devolve into complete and total crisis.

However, while radical Islam's global insurgency cannot derail the already rich West, it can cause enough turbulence in the global economy (including high long-term oil prices) to effectively stall globalization's advance. In that case, most, if not all of the New Core economies face the prospect of persistent decline leading to fractious domestic political instability. For these states, this long war against radical extremism is a war of survival. Torch globalization tomorrow and America remains a rich country. So will Europe and Japan. But Russia? China? India? Brazil? These and other emerging economies would be devastated, perhaps derailed as functioning great powers for the foreseeable future.

#### **XVI How do we sell this grand strategy to the world?**

By stressing the easiest early wins and being realistic about the hardest downstream issues.

This means America's grand strategy should: 1) Primarily foster economic connectivity and let emergent economies figure out their political evolution on their own cultural schedule; 2) Let allies help when they can instead of when we demand; and 3) Demonstrate our long-term commitment to follow-through by truly leaving countries more connected after interventions than we found them.

Beyond that sort of political-military selling, America must clearly demonstrate that we're willing to cut deals on

bilateral, regional and global trade pacts, sometimes taking less than we might think we deserve in order to get more from others with less to spare.

#### **XVII How do we sell this grand strategy at home?**

By committing America to winning at the least possible cost.

With the public, we stress that the United States doesn't undertake overseas interventions unless and until it has signed up a sufficient quorum of the Core's great powers — allies for the war and investors for the postwar.

Within our own military and government, we change the way we train and — more importantly — promote our personnel, making clear to them that we value second-half contributors as much as we do first-half warriors.

Most importantly, within our business community, we pull it into the reconstruction process as early as possible and demonstrate that one bureaucrat's "quagmire" is an entrepreneur's virgin market.

#### **XVIII What happens if we fail to execute such an ambitious grand strategy?**

The Gap is progressively reduced but in a way that creates new security threats.

Humanity will increase in population by roughly half between now and 2050, at which point we'll essentially level off as a global species. All those extra people will put a lot of stress on our planet, but will be nothing compared to the rising resource demand of all those new consumers, armed with disposable cash, that will be created by globalization's advance. All that demand will create enormous pressure for new expressions of, and seemingly astronomically high levels of, economic and network interdependency among nations. We can deal with those global challenges in a cooperative way, or we can deal with them in conflict. Regardless, that Gap will be shrunk and then we'll all have to live with the environmental consequences.

Show me a planet still stuck on zero-sum defense issues two generations from now, and I'll show you a world going to hell in a hand basket. But show me one that's left those narrow definitions behind and moved into

nonzero-sum security coordination, and I'll say to you — as Louis Armstrong once serenaded — “what a wonderful world!”

Warmer? Yes, but still more wonderful.

### **XIX How long will it take to pull it off?**

Think in terms of generations.

Realize that change comes to technology earliest (a young nerd's game), business next (eat what you kill!), the military after that (thank God for up-or-out promotion systems) and political leadership ... ahem! ... last. So, for America at least, think in terms of the time it takes for the Boomers to move off the political leadership stage.

Why should that matter? Leaders tend to see the world in terms of the one they grew up in, meaning they tend to view situations much the same way they did in their youth — when they first encountered them. The Boomers were raised in the Cold War-heavy 1950s and then came of age in the Vietnam-tinged 1960s. Neither age corresponds well to the parameters and dynamics of the world we now inhabit, a world that really started to appear in form and function across the 1970s, once Nixon and Kissinger essentially engineered the Cold War's tipping point along with China's re-emergence-leading-to-economic-resurgence. So what Barack Obama's candidacy for president in 2008 represented was more than a blast of fresh air, it represented — as he so often liked to say — a chance to “turn the page” and re-align America better to a world transforming.

When that generational change is made real, expect this process to lift off with surprising speed.

### **XX What success have you had so far in spreading this vision?**

The eternal question.

I get that one after every single speech or presentation I make, meaning I've fielded this inquiry the world over.

The short answers are these: The further away from Washington I am, the smarter I seem to audiences (my IQ apparently doubles on the West Coast). The younger the audiences, the easier they get this logic. The more

female the audience, the more nodding heads I see. The less American the crowd, surprisingly enough, the quicker the sale. Most amazingly, most Gap audiences find me far easier to swallow than the average Core audience, I guess because I don't sugar-coat anything for them.

Beyond that, business gets this better than politicians, and politicians get it better if they've got kids — especially ones who've studied or worked abroad in New Core great powers.

Within the U.S. military, the Special Operators were already there, so I had them at “hello.” Next, the Marines get it ... most vehemently! Why? By their very nature as the smallest service, they're the most paranoid about their budgetary survival, so they're the easiest to convince about the need to adapt. Next easiest, surprisingly, is the Air Force. Why? They're the most business-savvy and bottom-line in their thinking, despite the fly-boy mystique (that is progressively waning). The Navy's adjusted slowly but surely as the submarine mafia were systematically dethroned from positions of power over the 1990s and replaced by a score of level-headed surface ship jockeys. Arguably, the Army's had the toughest time. Collectively, it ran the furthest away from the legacy of Vietnam and therefore had the longest trip back, certainly under the most painful circumstances in Iraq and Afghanistan.

More generally, let me say that I don't consider myself a visionary armed with a vision. A good grand strategist deals mostly in diagnosis, letting the prescriptions flow from those most accurately depicting the future, which is why I focus on things that take a long time to change or whose impact is long lasting, such as foreign direct investment flows, demographic and energy trends, and the question of who's got the world's biggest gun. It's the job of the grand strategist to help policymakers wrap their minds around tomorrow's inevitabilities so as to move them closer to accepting — based on your systematic diagnosis — outcomes that today seem inconceivable, such as the inevitable Sino-American strategic alliance.

Any grand strategy needs to track pretty close with diagnosed inevitabili-

ties to be credible. If it doesn't simply feel like the way it's going to be, one way or the other, leaders won't be attracted to it and won't be able to sell it to regular citizens, upon whom they will inevitably call for some level of collective sacrifice. But the real question is, given the range of plausible outcomes, where do we best end up collectively? Where are the most opportunities?

If we keep our wits about us, globalization will present myriad opportunities in coming decades, even in areas that most experts cast primarily in terms of sacrifice — like global warming. As such, I think this is a great time to be in the business of devising grand strategy, that is, so long as you avoid viewing the sum-total of today's globalization phenomenon through the soda straw of national security. Because when you so narrow your vision, goals such as “shrinking the Gap” and instruments like the SysAdmin force will strike you as primarily constituting public sector obligations rather than private sector opportunities. Over time, the private sector “upside” on shrinking the Gap will vastly outweigh the public sector “downside.”

So I remain highly confident about this grand strategy simply because my reading of human progress says that — on average — you always do better by betting on human greed (i.e., the desire for a better standard of living) than focusing unduly on the “irrational” actors that periodically arise with alternative agendas. With globalization's continuing rapid advance, our logic going forward strikes me as unassailably clear: Meet demand (that rising global middle class) and on that basis ultimately restrict the negative supply (terrorism and other forms of anti-globalization friction). That's why I keep my grand strategic vision globalization-centric as opposed to the much-touted terror-centric approaches (see Bush, George W.) I see America becoming stronger, more secure and wealthier through a strategic approach that emphasizes meeting demand over cutting supply.

You want a grand strategy that's predestined to go bankrupt? Pick one that will end up costing you more money than you make over the long run.

It's as simple as that.

# West Africa Retrospective

*Continued from page 24*

larly prevalent in West Africa and is categorized as good Juju or bad Juju. Good Juju can cure ills or bring good luck. Bad Juju can be used to exact revenge or bring misfortune. Generally, Juju can only be summoned by a witch doctor. Some leaders of West African countries employ witch doctors to advise them. National events are scheduled or postponed based on the witch doctor's determination of whether the chosen date has good Juju or bad Juju. It is not clear whether these usually well educated leaders actually believe in Juju or use it because of its acceptance by the general population. It does have its impacts on social and economic development. For example, if a site or building is reported to have "bad Juju" it will not be used. To cite one 1990s example, in one country, the Ministry of Defense building was an old colonial headquarters building that was in a state of advanced decay and the Government Minister that I was meeting with spoke of the need to find a location for the ministry that was in better condition. After the meeting, my escort officer, a Colonel in the local army, and I were returning to quarters. On the way we passed a large piece of property with a relatively new building. The building and grounds reminded me of the United States White House. It was clearly abandoned with a rusted gate and weeds growing everywhere. I asked why the Defense Ministry did not use that building and grounds to satisfy the desire for a better headquarters. He responded that no one would use it because it had bad Juju. He went on to explain that the building was the former presidential palace and the site of an attempted coup. Several were killed. As a result, the building and grounds were declared to have bad Juju, and no one would occupy them due to the "curse."

• Remnants of the Warrior/Hunter Tradition. For thousands of years, African males were expected to be Hunters and Warriors. Other work was considered to be less worthy and was relegated to women and children. Although the traditional practice of the occupation disappeared long ago, this

mindset was still in evidence in the 1990s. Readiness, even eagerness, to participate in the many conflicts that occur in Africa is, I believe, an indication that this long standing male tradition has not been entirely expunged. And many African males still consider that other types of occupations are not suitable for males. You could observe this on streets and country roads in throughout West Africa. For example, the tasks of gathering firewood, planting and harvesting family fields, and operating small business were mainly being carried out by West African women and children. Men were frequently seen standing idle, watching the women and children work. In many places, West African women were the backbone of both the economy and the family. While this cultural attitude may be changing, especially in the cities, in the 1990s it still appeared to be a drag on the productivity of the country and may still be one of the psychological factors that help perpetuate ongoing tribal violence.

The list of factors inhibiting social and economic development is certainly much longer and more complicated than the four cultural issues highlighted. I am under no illusion that if all four of the factors were resolved, the situation in Africa would quickly change. The challenges for development are great and even with reasonable progress it will take a long time for most West African countries to significantly improve their overall social and economic status.

When I completed my assignment as COMSOLANT, I was asked whether I thought that the minimal economic and military aid being provided to West Africa was having the desired impact and whether more aid would make a greater impact. Even though the question was out of my field, I responded that, based only on what I had seen and given the cultural issues that prevented most of the aid from being used effectively, I did not believe that the current levels of aid were making much difference; nor did I believe that substantially more aid would help

very much. However, I did add that, in spite of my views of its lack of effectiveness, the United States should continue to provide modest assistance — even if the return on investment remained marginal or non-existent. My rationale for these seemingly contradictory views was that someday West Africa might just work its way out of its cycle of failure and we would want to be seen as a facilitator of that success. But even if it does not, as a wealthy nation we should not neglect the humanitarian needs of such a large and important area.

## Post Script

*One can reasonably wonder what relevance to West Africa these 17 year old observations have today. That's a very good question. Admittedly, I have not pursued developments in Africa with the same diligence that I did when it was work related. On the other hand, what little research I have done does not, except in one or two instances, indicate any substantial turnaround since the early 1990s.*

*For example, according to the United Nations Development Program Report for 2008, 9 of the 19 West African countries listed in this article rank among the bottom 25 countries in the world in terms of Human Development Indicators. These indicators include multiple factors such as life expectancy, literacy rate, unemployment, and income. All but one of the 19 West African countries are in the bottom 58 of the 177 countries ranked (Note: Liberia was not ranked in this study but would probably rank in the bottom 58 as well).*

*If there has been progress, it is slow in coming. I therefore believe that the four cultural factors discussed above continue to be major impediments to progress in West Africa. Long held and deeply rooted culture and traditions are extremely difficult to change. Change, if it comes, will take a prolonged effort on the part of Africans and patience on the part of Westerners. For this reason, I believe that the glass may still be half empty.*

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