

August 24, 2015

### **Book Review: *Superpower***

This is the first formal book review we have conducted as a Weekly Geopolitical Report, although we have leaned heavily on books or papers for much of the content in other reports.<sup>1</sup> We believe this book is important because of its message and due to the proximity to the 2016 elections.

Our subject this week is a new book titled *Superpower: Three Choices for America's Role in the World*, by Ian Bremmer of the Eurasian Group.<sup>2</sup> Bremmer is a well-known political scientist and author who writes often about geopolitical issues. His new book comes at an important juncture in American history. At some point, America's leadership will need to select a workable foreign policy for the post-Cold War world, which involves determining what America will do about the superpower role. This is a topic we discuss often and, after reading this book, view Bremmer's analysis as critically important in the examination of America's foreign policy. In this report, we will review Bremmer's book, starting with his premise that none of the presidents since the fall of the Berlin Wall have developed a coherent foreign policy.

---

<sup>1</sup> Our often referenced WGR, 1/9/2012, [The Archetypes of American Foreign Policy](#), leans heavily on this book: Mead, Walter Russell. (2002). *Special Providence: American Foreign Policy and How it Changed the World*. New York, NY: Routledge Publishers.

<sup>2</sup> Bremmer, Ian. (2015). *Superpower: Three Choices for America's Role in the World*. New York, NY: Penguin Publishing, Random House.

We will then focus on his three models of exercising the superpower role. From this analysis, we will examine Bremmer's choice in the matter and offer a critical assessment of his opinion. As always, we will conclude with market ramifications.

### **The Lack of Direction**

Bremmer begins his book with a short laundry list of the problems facing the American president. The rise of China, the lack of consensus among our European allies, the return of Russia, the instability of the emerging world and the growing chaos in the Middle East are major worries for whomever occupies the Oval Office. To date, no president has created a working foreign policy to manage these challenges. Bremmer makes it clear that U.S. foreign policy is in decline. At the same time, domestic America itself is in reasonably good shape. Demographically, due to America's relative openness to immigration, the U.S. is younger than other developed nations. We face no serious dangers from our immediate neighbors. Although Mexican drug gangs are a police problem, it is inconceivable that they could ever threaten the Federal government. The Canadian border remains remarkably open and a conduit for trade. Contrast that with Europe, which is being overrun with refugees from North Africa and the Middle East, and faces a growing threat from Russia. In the Far East, populations are aging rapidly, even in some of the emerging economies. Relations between Japan and China remain tense and China is trying to expand its military and commercial footprint deeper into the South China Sea. India remains at loggerheads with Pakistan.

### Post-Cold War Policy History

Despite America's advantages, or perhaps because of them, policymakers have been adrift since the end of the Cold War. President George H.W. Bush presided over the end of the Cold War and successfully managed the First Gulf War by building a broad coalition against Saddam Hussein. He artfully avoided the temptation to march to Baghdad, realizing that overthrowing the Iraqi leader would (a) break his coalition, and (b) require the occupation of Iraq, an outcome that would have likely been expensive on many levels.

President Bush's reward for winning the Iraq War and ending the Cold War was to be only the second president in post-WWII history to lose reelection. Americans were more concerned with the domestic economy and elected President Bill Clinton to focus on the U.S.<sup>3</sup> Much like the British after WWII, who turned out Winston Churchill in favor of Clement Attlee, American voters, in the midst of the 1990-91 recession, wanted a leader to focus on the domestic economy.

Despite this mandate, Clinton, like other American presidents, wanted to promise an expansive foreign policy, too.<sup>4</sup> He made a series of missteps. He expanded the humanitarian intervention into Somalia that led to the "Black Hawk Down" incident. This event prompted a hasty retreat that has led some to speculate that the emerging al Qaeda saw Americans as unwilling to maintain operations in the face of casualties. This belief may have emboldened jihadists. The al Qaeda attacks on the U.S. embassies in Kenya and Tanzania in 1998 and the 2000

attack on the U.S.S. *Cole* occurred on Clinton's watch.

The decision to expand NATO in 1999 was also problematic. Although former Warsaw Pact nations clearly have the right to join the Western Alliance, allowing the expansion only makes sense if the U.S. is willing to defend these nations against Russian aggression. Clinton appeared to have calculated that Russia was so decrepit that it could not respond. The NATO intervention in Kosovo made that position clear to the Russian leadership and led Boris Yeltsin's successor, Vladimir Putin, to vow to restore Russian "honor."

A third area that Clinton miscalculated was in his China policy. Although Candidate Clinton assailed President Bush for being too accommodative to China, President Clinton granted China "permanent normal trade relations," ending the annual Congressional debate on China's trade status with the U.S. Clinton also supported China's entry into the World Trade Organization. Clinton believed that growing commercial ties would eventually bring political liberalization to China.<sup>5</sup> Despite China's rapid growth and expanding foreign trade, there is scant evidence that the Communist Party of China is prepared to relinquish power and democratize.

So, Clinton fell into a war in Somalia because people were in danger, retreated in such a manner as to embolden terrorists and created conditions to antagonize Russia; not a good start to the post-Cold War era. Still, because the U.S. was a unipolar power,

<sup>3</sup> One of the key campaign phrases was, "It's the economy, stupid!"

<sup>4</sup> President Johnson fell victim to this trap, expanding the war in Vietnam while pursuing the Great Society programs. It was one of the factors behind rising inflation that began in 1965.

<sup>5</sup> This was a widely held belief, perhaps best expressed by Thomas Friedman. See: Friedman, Thomas. (2005). *The World is Flat*. New York, NY: Farrar, Straus and Giroux.

these gaffes did not critically undermine U.S. power.<sup>6</sup>

Candidate George W. Bush ran on a foreign policy platform of “humility.” However, his foreign policy was forever changed by the terrorist attacks in New York and Washington on 9/11/2001. Bush rapidly shifted to an open-ended war against terrorism that included invasions of Afghanistan and Iraq. Military operations against the former were designed to disrupt al Qaeda’s operations and bring Osama bin Laden to justice, either dead or alive. These operations were backed by Article 5 of the NATO treaty.<sup>7</sup>

The war in Iraq was much more problematic. The U.S. tried to make the case at the U.N. that Iraq had a dangerous program to build weapons of mass destruction and was in league with al Qaeda. The U.N. Security Council disagreed and would not support a U.S.-led attack on Iraq. The Bush administration built a “coalition of the willing” and launched a war to oust Hussein and democratize the region. The wars didn’t go well. Iraq was a colonial construct of a nation that, without a strongman in place, rapidly devolved into a civil war, with the U.S. caught between the Kurds, Sunnis and Shiites. The Afghan War became a stalemate as the Taliban moved freely into Pakistan and NATO struggled to build a workable government.

---

<sup>6</sup> Bremmer isn’t critical of Clinton’s policy in the Middle East, which was to isolate both Iran and Iraq. We are quite critical of the policy, believing that open-ended sanctions against Iraq would have eventually led to such weakness that Iran would have invaded Iraq in revenge for the Iran-Iraq War.

<sup>7</sup> An attack on one member is an attack on all and must be defended by all treaty members.

The wars were long, inconclusive and expensive.<sup>8</sup> In addition to all the military spending, President Bush also made aggressive tax cuts early in his first term and passed an expensive expansion of the Medicare drug benefit. Fiscal deficits ballooned.

The end of Bush’s term was punctuated by the 2008 financial crisis, arguably the worst economic and financial debacle since the Great Depression. American households, carrying excessive debt, were unable to maintain debt service, especially after the housing bubble burst. This financial crisis led to a global recession.

And so, President Bush fought two expensive and inconclusive wars, ran up high deficits and presided over a major recession and financial crisis. The American unipolar moment was under pressure and the rest of the world became uncertain about U.S. leadership.

Into this breach stepped Barak Obama, who ran on a platform to end the two wars he inherited and offered the humble foreign policy that President Bush initially proposed before 9/11. However, as the previous two presidents showed, the best laid plans can unravel quickly. As a candidate, he promised to fight the “good war” in Afghanistan. However, when the military requested a troop surge, he only supported part of what was requested and put a time limit on the commitment. This became a characteristic of his administration. Foreign policy goals were regularly constrained—no

---

<sup>8</sup> Bremmer quotes the Special Inspector General for Afghanistan Reconstruction, who notes that, “by the end of 2014, the U.S. will have committed more funds to reconstruct Afghanistan, in inflation-adjusted terms, than it spent on 16 European countries after WWII under the Marshall Plan.” Bremmer, op. cit., page 39.

troops on the ground, specific time limits, no unilateral actions and “leading from behind.” The U.S. participated in ousting Moammar Gadhafi in Libya only to create conditions of chaos in the country. The Arab Spring caught the administration by surprise. The administration supported the ouster of Hosni Mubarak with the promise of a new democracy, then failed to cut off military funding to Egypt (as required by law) after the Muslim Brotherhood was ousted in a coup. Obama created “red lines” in Syria with regards to chemical weapons, then failed to enforce the threat. The Russian invasion of Crimea was met with modest sanctions. Bremmer’s primary problem with Obama’s foreign policy is the lack of consistency; allies and enemies are not really sure where American policy stands.<sup>9</sup>

Overall, this list of complaints about the foreign policies of the last three presidents isn’t breaking new ground. The key point of the book isn’t to criticize these leaders; it is to suggest that the lack of clear policy goals has led to bad decisions. To address this issue, Bremmer offers three models for American foreign policy.

### The Three Models

**#1: Independent America:** In this model, the U.S. should refrain from acting as “global policeman” and run America by putting its own interests first. This means understanding that democracy is fragile and the very act of providing the global public goods required of the superpower puts

---

<sup>9</sup> It should be noted that Bremmer did not comment on the Iran deal in this book. In recent interviews, he implies that he generally likes the Iran deal but believes the negotiating tactics were poor. After all, Iran won’t get a deal from the next president, so the Obama administration could have waited another year and probably gotten much more than it currently received from Iran.

democracy at risk. When President Eisenhower warned about the “military/industrial complex,” he was really warning about all the ways that the superpower role puts our nation in danger. Wars have an obvious cost to America. Providing the global reserve currency distorts the American economy, requiring more consumption, debt and a persistent current account deficit. American workers face unwavering foreign competition that depresses the wages of many workers. Prior to WWII, the U.S. did not have intelligence agencies. Now we have 17; the domestic spying that Eric Snowden revealed shows the danger that comes with having such a large security apparatus. And, of course, having a large military has given the U.S. the means to fight numerous inconclusive wars.

The knee-jerk reaction to the Independent America model is that it is isolationist. That assumption isn’t necessarily true. Instead, it suggests the U.S. should avoid foreign involvement unless it becomes a critical threat to the U.S. itself. According to this model, the U.S. should behave like other nations do—putting its own interests first.

**#2: Moneyball America:** This model suggests the U.S. should be sly and cunning with its foreign policy. In terms of military intervention, we should follow the “Powell Doctrine.”<sup>10</sup> For foreign policy, offshore rebalancing is the best solution—force our

---

<sup>10</sup> Named after Gen. Colin Powell, it is a series of tests that revolve around eight questions:

1. Is a vital national security interest threatened?
2. Is there a clear and attainable objective?
3. Have the risks and costs been fully analyzed?
4. Are non-violent policies exhausted?
5. Is there a plausible exit strategy?
6. Have the consequences to U.S. action been fully considered?
7. Is the action supported by the American people?
8. Do we have genuine international support?

allies to balance our enemies first and only get involved when the balance of power is disturbed.<sup>11</sup>

Essentially, Moneyball America is designed to conduct foreign policy with little regard for moral imperatives. It treats the U.S. as any other nation and conducts foreign policy on a cost-benefit paradigm. Having good relations with tyrants is acceptable if it yields a positive policy outcome.

**#3: Indispensable America:** This model mostly describes hegemonic stability theory, which is that the world economy and political system needs a single superpower to stabilize the world. From a political standpoint, the power protects the sea lanes and maintains global security. Economically, this power provides the reserve currency and acts as the global importer of last resort. Bremmer puts a moralist spin on this model as well, suggesting that America's unique commitment to human rights and democracy makes it the best candidate to be the global hegemon.

To maintain this role, the U.S. needs to build its military, including cyberwarfare, covert abilities, and other means. In addition, non-military means of projecting power need to be used as well. It remains unclear whether the U.S. can afford to provide the reserve currency and the consequent requirement to be the global importer of last resort. This model is imbued with the belief that the U.S. has an obligation to make the world a better place. And so, supporting tyrants cannot be justified.

### **Bremmer's Premise**

Bremmer believes that, since the end of the Cold War, American presidents have

vacillated in their execution of foreign policy, making it impossible for both allies and enemies to determine what the U.S. will do in various situations. President Obama's Syrian "red line" problem was a case in point. The French were essentially preparing for airstrikes when the U.S. decided on a different policy.<sup>12</sup> Bush began his presidency calling for a "humble" foreign policy; by the time it was over, he had begun two wars, defied the U.N. to fight one of them, and undermined the dollar as the reserve currency due to the 2008 financial crisis. Clinton's intention was to focus on the domestic situation, but instead got involved in Somalia and allowed al Qaeda to grow under his watch.

Bremmer's position is that the next occupant of the Oval Office needs to choose a policy, not only to move the U.S. on a reasonable path but to signal to the rest of the world what to expect from U.S. policy. Although America sprung policy surprises on the Free World during the Cold War (Nixon to China was a big one), for the most part, America's allies and enemies knew what to expect. Bremmer wants the next president to choose one of these models.

### **Bremmer's Choice**

Analysts are generally paid to outline the choices that are available and assist in policymakers' decisions. The surprise of the book is that Bremmer revealed his choice. In fact, there is a general belief that analysts should not have a preferred choice because it might lead one to policy advocacy, which isn't the role of an analyst.

Bremmer comes down on the side of Independent America. He fully understands the risks of his position. The world has become accustomed to American intervention. When crises occur, foreign

<sup>11</sup> For a discussion of offshore rebalancing, see WGR, 11/5/2012, [The Foreign Policy Choice](#).

<sup>12</sup> See WGR, 5/6/2013, [Syria and the Red Line](#).

leaders want to know what the U.S. is going to do about it. The world will likely become a more dangerous place if this decision is made.

Here are the main reasons for Bremmer's position:

1. This position is the one most Americans seem to support. Polling data suggests that Americans have tired of wars and foreign involvement. Additionally, they are increasingly seeing trade deals as compounding risks to American jobs.
2. The world is very complicated and dangerous and we may have reached a point where no single power can effectively manage it any longer. America will make fewer mistakes if its primary goal is to preserve American democracy.
3. He rejects Indispensable America as too costly and difficult. He rejects Moneyball America as too lacking in morals for Americans to accept.

### Critique

We think Bremmer's book is important. His analysis of the policy drift seen since the end of the Cold War is correct, in our opinion. All three positions he defends are legitimate. He does a good job of explaining the strengths and weaknesses of all three. I must admit, I was surprised by his choice (I thought it would go to Moneyball America). In other words, whatever the next president chooses, there will be both positive and negative outcomes; to some extent, the three choices are difficult and there is no clear winner, which is important for readers, voters, politicians and policymakers to understand. Each of the three choices carries costs that might not be equally distributed, but none are without winners and losers. In the bombast of elections, it's important to realize that any decision is

difficult and just because someone chooses a different model doesn't make them evil or stupid.

Bremmer's models of American foreign policy dovetail neatly into Mead's archetypes.<sup>13</sup> The Independent model is Jeffersonian, the Moneyball model is Hamiltonian and the Indispensable model is Wilsonian. However, the book has one glaring problem. Bremmer excludes the most American of the four archetypes, the Jacksonians. In part, that's because Jacksonians fall into two of these models. When not threatened (or better, dishonored) by a foreign power, Jacksonians are similar to Jeffersonians, or the Independent model. They want to stay out of global affairs and focus on domestic issues. However, when provoked, they become the force that generally wins wars. Before America became a superpower, it was often underestimated as an isolationist power that was reluctant to fight. It often surprised America's enemies how thoroughly committed the U.S. could be when fully engaged in war. This determination comes from the Jacksonians.

The Jacksonians greatly complicate American domestic and foreign policy. The Jacksonians demand that politicians portray America as the world's most indispensable power. At the same time, because they fight the wars, they don't want to enter them for superfluous reasons. Once war is undertaken, however, the goal isn't a demilitarized zone and limited peace; the proper end of war is unconditional surrender.

The Jacksonians populate the working classes of America. Mostly right wing, they don't want government income support—they want high-paying blue collar jobs.

<sup>13</sup> Op cit., *Special Providence* and WGR: [Archetypes](#).

Thus, if trade barriers provide those sorts of jobs, they are supportive. They are also willing to go to war to defeat America's enemies. To some extent, Jacksonians would support the Powell Doctrine; they don't want to go to war without a plan.

By not acknowledging the Jacksonians in our midst, Bremmer underestimates how politically complicated his three choices are. The Jacksonians will find fault with all three. They will oppose Independent America for being weak. They will oppose Moneyball America for being without honor. Finally, they will oppose Indispensable America for sending them to war without just cause or without an acceptable conclusion.

Are the Jacksonians important? Last week's WGR answers this question. Donald Trump projects strength and order. As pollsters note, he can't seem to garner much above 20% of GOP support but his numbers don't decline much either. We suspect that Jacksonians represent about 20% to 25% of the GOP. Trump's poll numbers suggest that he has won the hearts of the Jacksonians; they want a strong figure who fights for their positions. His anti-trade and anti-immigration positions are generally

supported by Jacksonians, which explains his popularity.

So, in conclusion, we liked Bremmer's book. It is very readable and balanced and could serve as a good debate question for any of the presidential candidates. Its major flaw is that it doesn't deal with the Jacksonians. We note Bremmer, in his acknowledgements, cites Mead's book. We would recommend reading both and, after doing so, one would be clear on just how difficult it is to form a working foreign policy in America today.

### **Ramifications**

To a great extent, Bremmer gets to the heart of the superpower issue and markets. Because all of his choices carry significant costs, we don't expect any of the candidates to pick one during the campaign. However, making a choice may become unavoidable in the second half of the decade. Which choice the next president makes will have key ramifications for markets and will be the topic of next week's WGR.

Bill O'Grady  
August 24, 2015

*This report was prepared by Bill O'Grady of Confluence Investment Management LLC and reflects the current opinion of the author. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.*

### **Confluence Investment Management LLC**

---

Confluence Investment Management LLC is an independent, SEC Registered Investment Advisor located in St. Louis, Missouri. The firm provides professional portfolio management and advisory services to institutional and individual clients. Confluence's investment philosophy is based upon independent, fundamental research that integrates the firm's evaluation of market cycles, macroeconomics and geopolitical analysis with a value-driven, fundamental company-specific approach. The firm's portfolio management philosophy begins by assessing risk, and follows through by positioning client portfolios to achieve stated income and growth objectives. The Confluence team is comprised of experienced investment professionals who are dedicated to an exceptional level of client service and communication.