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## **The Great Man or the Great Wave**

One of the seminal debates among historians is how the process of history develops. This has been characterized as the “great man versus the great wave” debate. A cursory observation of history seems to suggest that there has been a progression of great men (and women) that shape how events unfold. However, it can also be argued that these extraordinary persons were products of their environment and thus were simply part of broad historical developments that they participated in on the “right side of history.”

This debate runs throughout the historical record. Reading the average high school history book becomes a compilation of major figures and societal trends; most textbook writers try to appease both sides of the debate to prevent opposition to the textbook (for a textbook publisher, the goal is sales not support of a particular position). However, even at the college and post-graduate level, this issue is at the heart of many debates.

From a geopolitical perspective, what policymakers and influencers believe to be the case is critical. If a policymaker adheres to the “great man” theory, then who gets elected, who has power and who is prevented from getting power is critical. If one is a “great wave” theorist, then the particular persons matter less than the trends in place.

A good example of how this debate affects policy is related to terrorism. If one is a

great man adherent, then a decapitation strategy is appropriate. By removing the leadership of the terrorist group, the driving force behind it is removed and the terrorist group should dissolve. On the other hand, if the terrorist activity is part of a great wave, then decapitation won't work—new leaders will emerge when the initial ones are assassinated. Instead, one must address the causes that drive the terrorist movement and work to undermine them.

In this report, we will begin by developing this debate with relation to America's superpower role; specifically, we will try to examine whether the U.S. is struggling with the superpower role because of a lack of leadership (a great man position) or because the wave of history is aligned against the U.S. keeping that role. As we will show, how one is positioned in the debate will affect their response. As always, we will conclude with potential market ramifications.

### **The “Great Debate”**

Think of it this way...would the Berlin Wall have come down if Jimmy Carter had won a second term? It's hard to believe that would be the case. Ronald Reagan's aggressive defense of the West, his decision to rebuild the military and his policies of deregulation were key to the Soviet's capitulation. Given the perception that Carter was an inept leader, it is hard to imagine that he could have overseen the same events.

However, the case could be made that Reagan gets too much credit for the events of the 1990s. For example, it was Carter who started deregulation when he changed

how the government was involved in transportation and financial services. The end of the Interstate Commerce Commission and the changes that followed broke the grip of the Teamsters Union on trucking and allowed for the deep discounting of airline travel. It was Carter's administration that nominated Paul Volcker for Fed Chairman; Volcker dramatically raised interest rates and began the process of ending Regulation Q, which set maximum deposit rates.

In fact, a wave theorist would argue that the Soviet Union was a crumbling edifice regardless of who occupied the White House. Growth and productivity in the Communist bloc was clearly not keeping up with the Free World, and the expansion of electronic media would eventually undermine social control mechanisms of the Communist states. Could one argue that Reagan hastened the collapse? Perhaps, but the Saudis' decision to boost oil production may have played an even bigger role in weakening the Soviet economy. From a wave perspective, the Soviet state was doomed; the only question was when.

Do these positions make sense? One problem with the great man theory is that it places enormous weight on a person who may simply be a proponent of a rising or falling trend. There are numerous examples of a person being thrust onto the world stage prematurely. Barry Goldwater's positions were quite similar to Ronald Reagan's; however, the country was not prepared to accept deregulation in the 1960s and so Goldwater suffered a massive defeat in the 1964 presidential election. John Hus is a name only known by religious historians today, but had he been born later and in a different part of Europe, he may have been better known than Martin Luther.

Simply put, wave theorists argue that great men are really nothing more than leaders with good timing. Great men theorists argue that major changes that occurred, be it the shift to deregulation or the Reformation, would not have occurred without the extraordinary leadership from extraordinary people.

The problem with the wave theorists is that they argue that leaders and leadership don't really matter, that the epochal changes were destined to occur with or without specific people. This position is difficult to defend in its most extreme form. After all, "somebody" has to develop the ideas, harness support and create a movement.

One problem with the great man theorists is that these special leaders always have support and often are part of a growing consensus on how society should act, whether it be going to war or changing how the economy is structured. So, in a sense, timing is critical. At the same time, the leadership these great men bring is usually pivotal to societal change. There are historical examples of leaders who may have had the correct inclinations but were not strong enough to make the necessary changes; Neville Chamberlain is a good example. Although tagged as the man who appeased Hitler, as he was trying to maintain peace by giving the German leader territory, he simultaneously began rebuilding Britain's military to prepare for war. At the same time, Winston Churchill was a superb wartime leader, but was not nearly as effective in peacetime.

### **The Relevance of the Debate**

How one interprets history will tend to determine responses to crises. If the great man model is believed to be the proper one, then the best outcome is simply a function of finding the right leaders. If the great wave is

the operating model, changing the direction of a nation is much more difficult.

It is generally acknowledged that U.S. foreign policy has been adrift since the end of the Cold War. The key question related to this analysis is whether this policy condition is a function of weak leaders or a deeper problem of underlying change that is preventing policymakers from building a consistent policy stance. If the problem is the former, the answer is to find the right leader. To a great extent, when one observes the amounts of money spent on political campaigns, it appears that most Americans adhere to the great man theory of history. It is a much more troubling proposition if this policy drift is an endemic issue, one that comes with shifting from a duopoly of power to a unipolar condition, and requires a much broader policy narrative.

What has been evident in the past four presidential elections is that they were seen as zero-sum situations. The left strongly opposed the Bush administration's policies, viewing them as leading the country to ruin. The response of the right toward President Obama is similar. Although we expect that history will judge both presidents harshly, we also believe that there is an element of a great wave issue at play as well.

In a sense, the U.S. is in a difficult transition period with regard to the superpower issue. The U.S. took on the role after WWII because America's political leadership became convinced that retreating to isolationism as the U.S. did after WWI led to another world war. And so, by taking on the role, the U.S. likely prevented a third world war. But, with the Communist threat eliminated, the rationale for continuing that role has changed. There are elements in both the left and right wings of the U.S.

political spectrum that would prefer to sharply reduce America's global footprint. The libertarians on the right have consistently called for less foreign involvement and the populist right is not supportive of nation building or limited wars. The left has generally opposed war and globalization since the 1970s. These forces were mostly squelched during the Cold War years. However, these groups have become a rising political force since the early 1990s.

This isn't the first crisis the country has faced and, until a resolution is developed, the leaders in their periods of indecision always appear weak. The presidents between Jackson and Lincoln have generally been considered a lackluster group, for example. In general, we believe that the country is currently facing a period of insecurity because the superpower issue is unresolved. Until that issue is decided, the political leadership will likely appear as weak and indecisive. In other words, we are in a great wave of indecision about the superpower role. It isn't clear if the U.S. should simply remove itself from the world or create a new role. The policies of the past three presidents have not garnered widespread support and it appears the country is looking for a different solution. However, at this point, the new path isn't obvious...which suggests a lack of leadership!

### **Ramifications**

Overall, we tend to lean toward the great wave theory of history, although we do acknowledge that pivotal leaders emerge at times and are adept at moving the historical wave in favorable ways. Lincoln, for example, concluded that slavery was a dying trend and moved decisively to end the practice. Truman figured out that Communism was a destructive force but also

realized that in a world with thermonuclear weapons, global wars would likely lead to the annihilation of the human race. Thus, the doctrine of containment was developed. Reagan realized that the equality model of the 1932-79 period was inflationary and unsustainable and moved to deregulate and globalize the economy, which led to steady growth without serious inflation.

The challenge for America's leaders today is to first decide whether or not the U.S. should continue its superpower role. If it decides to maintain the role, it must then decide how exactly to execute that goal by creating policies that define what the country will do and not do. For example, using the military to foster democracy has been shown not to work very well; leading from behind isn't leading. Pivoting to Asia appears to make sense until one notes that a Germany left to its own devices becomes a threat to both Western Europe and Russia that either will find intolerable; maintaining a treaty situation that keeps Germany from rearming is probably necessary for continued peace on a continent that has fostered two world wars. Leaving the Middle East is probably not possible either because it will undermine allies in Asia and Europe.

It is possible that America's run as superpower is coming to a close...this may be the next historical wave. However, we doubt this is a preordained outcome, which means we have a choice in the matter. We continue to closely monitor how this process unfolds because the decisions being made will likely have important effects on global markets. Isolationist policies will likely lead to reduced trade and investment, along with slower growth and higher inflation. But, without a workable plan for maintaining the superpower role, there is potential for worse outcomes. It is our position that the secular bear market in equities won't end until this issue is decided. Although market behavior since 2009 has been impressive, it has been supported by unusually accommodative monetary policy. To move to a more solid footing, investors need to have confidence in the future and the best way for that to occur is to build a plan to resolve the superpower issue.

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