

American Hegemony: How to Use It, How to Lose It¹

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TO SPEAK TO the distinguished and learned members of the American Philosophical Society is a great honor. Let me thank you in advance for this rare privilege.

As the title of my lecture indicates, I want to share with you an assessment of both the nature of American power and how best to use it. The topic has gained an urgency over the last four years that is, fortunately, rare, but one that we neglect at great peril.

America's global hegemony is generally accepted as a fact. Only its duration is in question. The answer will not be given by a new rising threat from China or by terrorism. The quality of American leaders will provide it. How they use it will determine whether or not we lose it.

America has acquired an empire inadvertently, not a traditional one, but a *sui generis* empire, a type of regime heretofore unknown. Four characteristics define it.

First, it is ideological, not territorial. Its ideology is classical liberalism, not democracy. Our founding fathers did not use the word democracy in the Constitution. They sought to limit the state and guarantee individuals' rights. Once rights were secure, voting would follow, not the other way around. This empire, therefore, consists of constitutional states, not dictatorships and illiberal democracies.

Second, the American empire has been a money-making, not a money-losing, regime. Throughout the Cold War, when the defense budget on average consumed 7.2 percent of GDP, the United States sustained unprecedented growth. So too did Western Europe and Northeast Asia. Both had their longest periods of peace and their greatest prosperity. Contrary to popular belief, however, Japan and Europe did not

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get rich at our expense. Throughout this period, we have maintained between 20 and 30 percent of the world's gross product.

Third, countries have fought to join the American empire, not to leave it. Since the U.S. invasion of Iraq, however, that may be changing.

This empire has no formal boundaries or membership. Any country with a constitutional order, stable property rights, and effective dispute adjudication in autonomous courts may consider itself a member. Switzerland and Austria, for example, are included. Some countries with constitutional orders that are not yet mature liberal regimes also belong because they are within our military alliances. Of the roughly forty countries that can claim membership, only about two dozen have stable constitutional systems, that is, systems that have lasted a generation or more. The others, mostly new members of NATO, are committed to constitutional development but still struggling to last for more than a generation without a relapse, the usual standard for assessing whether or not a lasting constitutional order has been achieved.

Fourth, our military alliances in Europe and Northeast Asia have supplied supranational political-military governance for our allies, many of whom are old enemies. These U.S. military umbrellas allow them mutual trust that lowers business transaction costs, thus permitting them to capture greater gains from trade. This role is still needed in both regions, even without an external military threat.

Additionally, the United States created a governing network of economic and judicial governance institutions—the WTO, the IMF, the World Bank, the United Nations, international courts, and others. These organizations have also facilitated economic growth through rule-based decision-making rather than by imperial dictates. That practice lowers the costs to the United States for managing them, as well as the cost for managing its military alliances.

When American leaders belittle and condemn those organizations, they endanger the very foundations of this remarkable system of mutually beneficial liberal governance. The cost is not just damage to our ideals. It also involves billions of dollars in unnecessary expenses. How and why is this true?

The Nobel laureate economist Douglass North has demonstrated that governance by rule-based, third-party enforcement actually lowers transaction costs for business and makes long-term economic growth possible. That is why the United Nations, NATO, the WTO, and others reduce the price to America for managing this unique international system.

Liberal institutions, therefore, are the key source of American power, both at home and abroad. Not democracy, although it becomes an indispensable component of constitutional regimes. The states within

this system today produce 70 percent of the world's gross product with 17 percent of the world's population. That figure alone gives us a real sense of how much more productive power can be generated by liberal institutions than by any other kind of institution. It also shows that the main obstacle to peace and prosperity in those countries outside the American empire is *not money*. It is the shortage of *constitutional government*. No amount of economic aid will either compensate for, or produce, that kind of government. In fact, most economic aid makes it less likely that poor countries will achieve effective government.

Unfortunately, no one knows precisely how to create liberal institutions. Their emergence is highly problematic and rare; moreover, most of them have arisen after periods of violence that led to compromise among the elites and to a deal to abide by rules. At the same time, violence has far more often thrown countries off the track to a compromise. The record to date suggests that ethnic, racial, and sectarian fragmentation in a country makes a constitutional breakthrough virtually impossible. It also suggests that most political cultures outside of the traditional Western world are highly resistant to the idea of a "contract state" and inalienable civil rights. Japan, Turkey, South Korea, Taiwan, and Singapore stand out as huge exceptions, not fully constitutional in all cases, but certainly close to it.

This evidence suggests that few additional countries will soon become constitutional and able to sustain long-term growth. China, India, and Russia are not good prospects. All three may prosper for a while, but not in the long run unless they can create domestic liberal institutions. That is why rising challengers cannot destroy the American empire. Only its leader can do that, by throwing away our primacy.

For most of the Cold War, American leaders used American hegemony with remarkable effectiveness. The Marshall Plan is merely one of many examples. Stabilizing Northeast Asia during and after the Korean War is another. Less well remembered is bringing West Germany into NATO against strong French resistance. For two years, Washington danced around French hostility to German rearmament, working to establish the European Defense Community, originally a French concept, to meet Paris's objection. Although France refused to dissolve its own army into the European Defense Community, it finally accepted Germany's sovereignty and its membership in NATO in 1955.

Had the United States insisted on that outcome in 1953, it might well have destroyed the alliance. This pattern of nudging, encouraging, not demanding, often adjusting to European concerns, and getting help from some countries in convincing those that resist, has produced constructive outcomes.

The doctrine of "forward defense" for NATO in 1967–68, the third

attempt at an agreed overall NATO defense plan, MC 14/3, was achieved in precisely this way, with a European-led study, the Harmel Report, advancing a compromise. We saw this pattern again, both in the decision to deploy intermediate-range nuclear forces in Europe during the Carter administration and in their successful deployment against much Soviet-backed and -inspired European public opposition during the Reagan administration.

But none of these examples can rival the reunification of Germany in 1990. That is the largest strategic realignment without a major war in the history of modern Europe, a feat so spectacular that it is unlikely to be rivaled any time soon in the history of diplomacy.

Today, we tend to take it as foreordained. It was not. Had the Europeans had their way in a straight up or down vote, only two countries, the United States and West Germany, would have voted for it. Germany would have reunited anyway, outside of NATO, and a rump Warsaw Pact would have survived. Europe would be without the European Union, and the continent would be in a political and military mess.

But that did not happen. Through skillful diplomacy, backed by overwhelming U.S. military and economic power, President George H. W. Bush backed German chancellor Helmut Kohl in cutting a deal with Moscow, split off Prime Minister Thatcher, the most adamant opponent of German unification, from a far less adamant opponent, President Mitterand, and pushed through NATO approval. While Bush cornered Thatcher, Kohl appeased Mitterand by promising to push through the Maastricht Treaty. Thus Germany was reunified within NATO, the European Union was soon born from the Maastricht Treaty, and both the Warsaw Pact and the Soviet Union collapsed. Not even the hardest of American hardliners against Soviet power would have believed that this outcome was possible.

Future historians will judge this achievement as among the greatest diplomatic feats ever witnessed. It took skill, but it was possible because of hegemonic American power.

As a final example, let us recall the Persian Gulf War in 1990–91. President George H. W. Bush won UN Security Council backing, assembled a large military coalition, including French forces, expelled Iraqi forces from Kuwait, and persuaded Japan, Germany, and a dozen other countries to contribute sufficient funds to pay for the entire operation.

I trust that by now you understand what I mean when I speak about *how to use American hegemony*. Over the last dozen years, however, and especially since 2002, we have seen examples of *how to lose it*.

During the 1990s, we saw the Clinton administration cut U.S. ground and tactical air forces by almost half. Maritime forces were reduced very little. That force structure left the United States firmly in control

of the porpoises and the whales while leaving the land to the tyrants in the Balkans.

Timidity, diffidence, and dilly-dallying during the disintegration of Yugoslavia marked Washington's reaction to spreading instability in Southeastern Europe. By bombing Serbia and Kosovo for seventy-three days, President Clinton damaged the U.S. image in much of Europe and elsewhere and delayed a decisive toppling of the corrupt and anti-liberal political regimes in both places, an outcome still not achieved today, nearly a decade later. Had he launched a ground invasion with a couple of armored brigades, advancing from Hungary to envelop Belgrade instead, he could have destroyed the Milosevic regime in a week or ten days with few casualties. (The German army took the same approach in 1940, capturing Belgrade in a week while sustaining fewer than a dozen casualties.) A direct occupation, predominately with U.S. forces but also jointly with NATO countries, could have administered and governed directly, reestablishing property rights and effective courts, and raised a new generation of political elites genuinely committed to liberal values.

In spite of President Clinton's feckless use of American power in the Balkans, his administration eventually yielded to domestic lobby pressures and accepted three new members into NATO in 1999, preempting ethnic conflict in several other former Warsaw Pact states by holding out hope that they, too, could someday join.

President George W. Bush followed this change to an effective use of American hegemony by further enlarging NATO, but his unbridled unilateralism, beginning with his rejection of the Kyoto Treaty and his tariffs on steel imports, proved more destructive of American power than Clinton's foreign policy diffidence and bumbling use of military power. Still, the events of 9/11 restored unprecedented global support for America in its fight against al Qaeda.

Once the president announced the "axis of evil" thesis in his State of the Union address to Congress in January 2002, however, that support began to decline. NATO invoked Article 5 of the treaty for the first time in the history of the alliance, declaring that al Qaeda's attack on the United States was also an attack on all other members. They signed up to fight al Qaeda. They were shocked to learn that the president was declaring war on Iraq, Iran, and North Korea without even consulting them. His so-called "global war on terrorism" was being stretched to justify invasions of countries anywhere, something that most allies understandably refused to accept.

Failure to gain UN Security Council approval for the invasion of Iraq ensured that the financial costs of the war, not to mention the loss of life and moral standing in world opinion, would be huge, and that

the quality of the coalition members would be poor. For example, the coalition in 1991 had French troops; in 2003 it had Ukrainian, Polish, and Honduran troops, and even a few from Mongolia! The costs of the war rise every day, well above \$300 billion, and we can be sure that other countries will not share them with the American taxpayer. The president may have delighted many American voters by asserting U.S. sovereignty against the will of our allies in the UN Security Council—behavior we would normally expect of a French government, not of the government that built the post-World War II international order—but they will not be delighted with the impact of the action on their pocketbooks for years to come.

As a spectacular example of how to squander American hegemony—fiscally, militarily, politically, and morally—the war in Iraq will probably turn out to be the greatest strategic mistake in American history.

Can we still save the American empire? Or is it too late? We can, but we must act soon. The first step must be withdrawal from Iraq. That invasion was never in American interests. Rather, it advanced the interests of Iran by avenging Saddam's invasion of that country. And it advanced al Qaeda's interests by making Iraq open for its cadres. They are killing both Americans and Iraqis there in growing numbers, and taking their newly gained skills to other countries. Many reports suggest that al Qaeda was in desperate condition by spring 2002 and that only after the U.S. invasion of Iraq did its recruiting powers recover and its funding sources replenish its coffers. Apparently, President Bush came to Osama bin Laden's rescue in his nadir. The irony would be comical if it were not so tragic.

All the debate today over the tactical mistakes we have made in Iraq is beside the point. All of the unhappy consequences were destined to occur once the invasion started.

Most worrisome, the war has paralyzed the United States strategically. The precondition for regaining diplomatic and military mobility is withdrawal, no matter what kind of mess is left behind. The United States bears the blame for it, but it cannot avoid the consequences by "staying the course." Every day we remain on that course increases the costs and makes the eventual defeat larger.

Only after the United States withdraws can it possibly rally sufficient international support to prevent the spread of the damage beyond the region, and it might bring some order to the region as well.

It cannot do that, however, unless it alters or abandons at least five of its present policies, policies that have become so perverse that they are generating the very things they were meant to prevent.

The first is our nuclear nonproliferation policy. It was meant to maintain regional stability. Our pursuit of it has accelerated proliferation

and created instability. The lesson that Iran and others must draw is that if they acquire nuclear weapons, Washington will embrace them, as it has India and Pakistan. Earlier, the United States let Israel proliferate, and that adds to the incentives for all Arab states to proliferate as well.

Our nonproliferation policy in Northeast Asia has worsened our relations with South Korea to the point of pushing Seoul toward the Chinese security orbit. At the same time, it has allowed North Korea to diminish U.S. influence in the region while China has increased its own. That opens the path to a unified Korea *without* U.S. troops and *with* nuclear weapons, a sure formula for prompting Japanese acquisition of nuclear weapons.

The second perverse policy is the so-called “global war on terrorism.” As many critics have pointed out, terrorism is not an enemy. It is a tactic. The United States has a long record of supporting terrorists and using terrorist tactics. The slogans of the war on terrorism today merely make the United States look hypocritical to the rest of the world. A prudent American president would end the present policy of “sustained hysteria,” order the removal of most of the new safety barriers in Washington and elsewhere, treat terrorism as a serious but not a strategic problem, encourage Americans to regain their confidence, and refuse to let al Qaeda keep us in a state of fright.

The third perverse policy, spreading democracy, is a very bad practice. By now, it should be clear why I say so. We should try to spread constitutional order, not democracy, which, if it is implemented before a constitution is truly accepted, is almost certain to be illiberal, allowing varying degrees of tyranny over minorities. It makes sense to support individual rights and liberties everywhere, but it is wrong-headed to assume that democratic voting procedures—easy to implement—will assure such liberties.

The fourth misguided policy is the Defense Department’s military redeployment plans. They are hollowing out NATO long before new members in Eastern Europe have achieved constitutional breakthroughs and transformed their militaries. Europe may create its own unified military over time, but the European Union is nowhere near that goal today. NATO, therefore, remains critical for Europe’s internal and external security. Its influence and political capacity are directly proportional to the size of U.S. forces deployed in Europe.

Finally, the energy policy of “no energy policy” ensures more shocks ahead while funneling trillions of dollars into the hands of those in the Middle East and Southwest Asia who may not wish us well. And it emboldens Russian leaders smarting with feelings of acute imperial nostalgia.

A serious energy policy would include putting several dollars’ tax on every gallon of motor fuel. The resulting revenue could be put into

a Manhattan Project–like crash program to find other kinds of energy for motor transport and to invigorate the nuclear power industry with safer technology and increased efficiency. It could also be used to modernize the railways, letting high-speed trains drain off air passenger traffic from air travel, especially on the East and West Coasts and between several large midwestern and southwestern cities.

As these issues reveal, the accumulating undesirable consequences of America's unilateralist diplomacy, its war policies, and its neglect of the more important foreign and domestic challenges may have already reached a point where American hegemony is irreversibly waning. Yet I believe it is still worth trying to save it. American power has been used to achieve a remarkable amount of good in the world since World War II. We are now seeing that it can also be used to cause a lot of evil. I do not subscribe to the oft-voiced view that the only way to prevent its use for the latter end is to weaken it dramatically and thereby remove the temptation. Were that to happen, not only Americans but many others in the world would be the poorer for it.

These are not ordinary times. Minor modifications in our national security strategy and our economic policies merely perpetuate the present drift toward disasters, domestic and foreign.

I try to alarm you today so that we can wake up in time to avoid calamity. I do not, however, believe I exaggerate the dangers. We desperately need a fundamental redirection in U.S. strategy, not merely a fine tuning. That will not be accomplished by continuing to base it on fears of a rising Chinese superpower, or of a European Union that achieves political and military unity and rivals the United States for global leadership, or of "Islamofascism" and Muslim jihadist organizations, insisting that they are the new Nazi Germany or Soviet Union engaging us in a "long war." They may, in some cases, become problems, but not the bases for plotting an effective strategic course. They are neither the most urgent nor the largest challenges. Rather, the legacies of America's post-Cold War, especially since 9/11, are far more likely to include both the most urgent and the largest ones.

Once again, let me say that it is a privilege to share my concerns with this distinguished society. I only wish I had a happier message to convey.