

Last revised **September 8, 2007**

**The Problem of Conjecture:  
American Strategy after the Bush Doctrine**

Niall Ferguson

Laurence A. Tisch Professor of History

Harvard University

[nfergus@fas.harvard.edu](mailto:nfergus@fas.harvard.edu)

**The Problem of Conjecture:  
American Strategy after the Bush Doctrine\***

By Niall Ferguson

Perhaps the deepest problem is the problem of conjecture in foreign policy. ... Each political leader has the choice between making the assessment which requires the least effort or making an assessment which requires more effort. If he makes the assessment that requires least effort, then as time goes on it may turn out that he was wrong and then he will have to pay a heavy price. If he acts on the basis of a guess, he will never be able to prove that his effort was necessary, but he may save himself a great deal of grief later on. ... If he acts early, he cannot know whether it was necessary. If he waits, he may be lucky or he may be unlucky. It is a terrible dilemma.

Henry Kissinger, "Decision Making in a Nuclear World" (1963)<sup>1</sup>

I

It is now nearly five years since President Bush promulgated what has become known as "the Bush Doctrine". The seminal document, published above the President's signature twelve months after the terrorist attacks of September 11, 2001, and entitled *National Security Strategy of the United States*, argued that because "deliverable weapons of mass destruction in the hands of a terror network or murderous dictator ... constitute as grave a threat as can be imagined", the President as commander-in-chief should, at his discretion, "act preemptively" to forestall or prevent any such threat. "As a matter of common sense and self-defense", the President stated, the United States would "act against such emerging threats before they are fully formed" and before they reached America's borders.<sup>2</sup> NSS-2002 asserted not only the principle of preemption but also the principle of unilateralism. "While the United States will constantly strive to enlist the support of the international community," the document declared, "we will not hesitate to act alone, if necessary ..."<sup>3</sup> At the time, and subsequently, the two principles of preemption and unilateralism were widely criticized as dangerous novelties in American foreign policy.<sup>4</sup>

---

\* Paper presented at the conference on "After the Bush Doctrine: National Security Strategy for a New Administration", held at the Miller Center, University of Virginia, June 7-8, 2007. I am grateful to the organizers and participants for their comments.

Other aspects of NSS-2002 were rather less controversial, notably the stated intentions “to bring the hope of democracy, development, free markets, and free trade to every corner of the world” and to “stand firmly for ... the rule of law; limits on the absolute power of the state; free speech; freedom of worship; equal justice; respect for women; religious and ethnic tolerance; and respect for private property”.<sup>5</sup> In many ways, however, this plan to export American-style economic and political institutions—“to extend the benefits of freedom across the globe”—was the most ambitious and perilous element of the Bush Doctrine.

In my book *Colossus: The Rise and Fall of the American Empire*, I argued that the Bush Doctrine was in some ways less radical than its critics claimed.<sup>6</sup> Far from being a revolutionary departure, the idea that preemptive action might be legitimate in the face of a mortal threat had been asserted by more than one president during the Cold War and had been assumed by them all.<sup>7</sup> The radical aspect of the Bush Doctrine was not so much its theory as its practice. It became clear even before the invasion of Iraq in 2003 that the White House intended to use the doctrine of preemption to justify overthrowing certain “rogue regimes”, suspected of complicity with terrorists, and establishing American-style democracies in their places. In an earlier book, I had already expressed some doubts as to how far the United States had the economic, military and political capabilities to make a success of what was essentially, if not explicitly, an imperial undertaking.<sup>8</sup> Unlike many critics of the Bush administration, however, I did not dismiss the administration’s implicitly imperial project as morally wrong or misconceived. Rather, I argued that there were indeed a number of regimes around the world that were likely to cease sponsoring terrorism, acquiring nuclear weapons or abusing their own populations only as a result of effective and enduring foreign intervention. I was also confident that the United States had the ability to overthrow some (though not all) of these regimes. My qualms related to the ability of the United States successfully to execute the radical economic and political transformations which were, from the outset, an integral part of the Bush Doctrine.

My central argument was that three deficits reduced significantly the likelihood of American success in Iraq (and indeed in Afghanistan, where intervention was retaliatory, not preemptive). These were the financial deficit (the fiscal and current account deficits which have made the United States increasingly dependent on foreign capital); the

manpower deficit (which places a low ceiling on the number of combat-effective troops available for overseas deployment); and the attention deficit (which inclines American voters and legislators to lose patience with foreign interventions within a period of two to four years—long before success is likely to have been attained). Those arguments have been in considerable measure vindicated. However, I overlooked the importance of a fourth deficit: the legitimacy deficit (which has widened as international support for U.S. policy has collapsed). In what follows, I review the roles played by the four deficits in constraining U.S. foreign policy, suggesting that they will constrain President Bush's successor even more than they have constrained him.

But this is not merely a variation on an earlier theme. I also ask how far the Bush doctrine was conceptually flawed in ways that I had not appreciated at the time I wrote *Colossus*. In particular, I show that the political rewards to be garnered by a policy of preemption are bound to be low, even when the policy is successful. As a prophylactic against the relatively low-probability threat of an attack by terrorists armed with Iraqi WMD, the overthrow of Saddam Hussein was always likely to be an expensive and ultimately unpopular prescription. Looking ahead, I reflect on the much more serious threats that the Iraq debacle is obscuring: (a) the descent of the Greater Middle East into a large-scale war; (b) the disintegration of the system of nuclear non-proliferation; (c) the escalating competition between developed and emerging economies over scarce raw materials; and (d) the deepening crisis in the system of multilateral trade liberalization. I question whether preemption, unilateralism and the effort "to extend the benefits of freedom across the globe" constitute a viable or effective response to any of these. I conclude with some reflections on the kind of national security strategy that the next president ought to adopt. A first constructive step, I suggest, would be the abandonment of all three of the key tenets of the Bush National Security Strategy.

## II

*Nervi belli pecunia infinita*; as Cicero observed more than two thousand years ago: The sinews of war are limitless money. The Bush Doctrine certainly presupposed abundant financial resources for American foreign policy. Preemption implied, as we have seen, more than one overseas war. Unilateralism implied that the United States might have to

pay for these wars itself (which had not been the case in the First Gulf War). The wider goals of “extending the benefits of freedom” implied additional costs beyond the narrowly military costs of regime change. The *National Security Strategy* also pledged to “build defenses against ballistic missiles and other means of delivery”, to “build better, more integrated intelligence capabilities to provide timely, accurate information on threats, wherever they may emerge” and to “transform our military forces to ensure our ability to conduct rapid and precise operations to achieve decisive results”.<sup>9</sup> This transformation was in fact already underway, having been made a priority at the Pentagon by Defense Secretary Donald Rumsfeld almost from the day of his appointment. The question Rumsfeld and his advisers were addressing on the eve of the 9/11 attacks was how best to “maintain U.S. predominance”. The most conservative option they discussed—“Full Spectrum Response”—envisaged an increase in defense spending to “4.5 per cent of GDP during build-up [3-5 years] and 4 per cent steady-state ... indefinitely”. The most radical option—“Break Out”—appears to have appealed to Rumsfeld more, since it implied “speed, agility, responsiveness and innovation”, and a downsizing of the existing military establishment. But the “affordability” of this option was “unclear”.<sup>10</sup>

We now have a more precise idea of the cost of the “Break Out” unleashed by the Bush Doctrine. Contrary to the arguments advanced by the administration in 2003, when it was claimed by more than one official that the invasion of Iraq would be virtually self-financing, this has been an expensive undertaking. According to the Congressional Budget Office (CBO), the total amount that the United States spent on the War on Terror between September 2001 and February 2007 was \$503 billion. To this figure should be added the amounts the administration has subsequently requested, giving a total cost at the time of writing of \$746 billion. However, the Nobel prize-winning economist Joseph Stiglitz has argued that, taking account of costs not captured in budgetary figures, and assuming that the U.S. will still be in Iraq until 2015, the final cost of the war could rise as high as \$2.2 trillion.<sup>11</sup> This is an even larger figure than the maximum cost projected by the Yale economist William Nordhaus in December 2002 (\$1.6 trillion), which at that time seemed wildly exaggerated.<sup>12</sup> There can no longer be any serious debate that it

would have been cheaper to continue the pre-2003 policy of containing Saddam Hussein's regime with a combination of air power, sanctions and weapons inspections.<sup>13</sup>

At one level, to be sure, even \$2.2 trillion is a sum that the United States can afford. The American economy is enormous: in terms of GDP in current dollars, it is two and a half times bigger than the next largest economy in the world, and almost as large as the six other members of the Group of 7 combined. The U.S. defense budget alone is equal to the entire GDP of the Netherlands. And, compared with the Cold War, the "War on Terror" has been cheap in relative terms. Between 1959 and 1989, U.S. defense spending averaged 6.9 per cent of gross domestic product (GDP). Since President Bush entered the White House, it has risen from 3 per cent to a peak of just 4 per cent. On the basis of the growth estimates used by the CBO, even Stiglitz's \$2.2 trillion, spread over thirteen years, works out at just 1.1 per cent of GDP. The key question, however, is how far such levels of military expenditure can be sustained over the longer term. The most important of the American deficits may prove to be the financial deficit, precisely because it shows every sign of growing and constraining U.S. foreign policy much more in the near future than it has in the past.

The critical point is that growth in the United States has become heavily reliant on the accumulation of debt by both the public sector and the household sector. Since becoming President, George W. Bush has presided over a significant rise in the size of the federal debt. The gross federal debt is fast approaching 9 trillion, around 60 per cent larger than it was when he entered the White House.<sup>14</sup> According to the Congressional Budget Office, the debt will keep on growing over the next five years, swelling by an additional half trillion dollars.<sup>15</sup> This increase in the federal debt might of course be regarded as a normal consequence of traditional war finance. The United States, like most great powers, has always financed major conflicts by borrowing. However, the drivers of the post-2000 increase in debt have in fact been fourfold: not only increased military spending, but also reduced revenues during the 2001 recession, generous tax cuts for higher income groups and increased expenditure on welfare at home.<sup>16</sup>

How big is the American public debt burden? If one excludes bonds and bills in the possession of government agencies like the Social Security trust fund, the debt held by private investors falls to around \$5 trillion. That works out at around 37 per cent of

GDP, a major increase relative to 1981, when it was below 26 per cent, but still modest compared with the aftermath of World War Two, when it exceeded 100 per cent. What is more, the CBO forecasts that the debt-to-GDP ratio will actually decline in the decade ahead, to perhaps as little as 20 per cent.<sup>17</sup> By historical standards, this is not an especially heavy debt burden. At its peaks at the end of the Napoleonic Wars and World War Two, the British national debt exceeded 250 per cent of GDP.<sup>18</sup> Compared with the last English-speaking empire to bestride the earth, the United States is not especially leveraged.

The trouble is that the officially stated borrowings of the federal government are only a small part of the U.S. debt problem. For it is not only government's debt that has grown large of late. Ordinary American households, too, have gone on a borrowing spree of unprecedented magnitude. U.S. household credit market debt has risen from just above 45 per cent of GDP in the early 1980s to above 70 per cent in recent years. Since 2000, the value of U.S. home mortgage debt has more than doubled from \$4.8 trillion to \$9.7 trillion. Consumer credit debt has \$1.7 trillion to \$2.4 trillion.<sup>19</sup> Not only do Americans borrow as never before; they also engage in remarkably little off-setting saving. The remarkable resilience of American consumer spending in the past fifteen years was based partly on a collapse in the personal savings rate from around 7.5 per cent of income to below zero. The aggregate national saving rate, which includes the public sector and corporations, averaged 13 percent in the 1960s. In 2005 it was just 2.1 percent. For demographic reasons, however, Americans need to be saving more than this.<sup>20</sup> According to the United Nations' medium set of projections, male life expectancy in the United States will rise from 75 to 80 between now and 2050 (it was 66 back in 1950). The share of the American population that is aged 65 or over will rise from 12 per cent to nearly 21 per cent. By 2050 the elderly dependency ratio (the ratio of the population aged 65 years or over to the population aged 15-64) may have very nearly doubled.<sup>21</sup>

Already, the average retiree receives Social Security, Medicare and Medicaid benefits totaling \$21,000 a year. Multiply this by the current 36 million elderly and you see why these programs currently consume half of federal tax revenues. And that proportion is bound to rise, not only because the number of retirees is going up, but also because the costs of benefits like Medicare are out of control. Between 2002 and 2005,

Medicare benefits per recipient grew 16 times faster than the real wages of the workers paying for them through taxation.<sup>22</sup> These figures imply that the federal government has much larger unfunded liabilities than official data imply. If one compares the present value of all projected future government expenditures—including debt service payments—with the present value of all projected future government receipts, the gap is around \$66 trillion, according to calculations by economists Jagadeesh Gokhale and Kent Smetters.<sup>23</sup> That is roughly seven times the size of the gross federal debt as officially stated.

The appetite of American households and politicians for debt has an inevitable and strategically significant corollary, since it exceeds the ability of U.S. corporations to save. The United States has become the world's biggest international debtor, increasing its reliance on foreign lenders to unprecedented heights. In nearly every year since 1992, the gap between the amount of goods and services the United States exports and the amount it imports has grown wider. In 2006 the current account deficit—which is largely a trade deficit—was more than 6 per cent of GDP, nearly double its peak in the mid-1980s, when Ronald Reagan's "twin deficits" (on the federal budget and current account) prompted some Cassandras to prophesy America's decline and fall. The result has been a rapid accumulation of foreign debt. The estimated net international investment position of the United States—the difference between the overseas assets owned by Americans and the American assets owned by foreigners—has declined from a modest positive balance of around 5 per cent of GDP in the mid 1980s to a huge net debt of minus 20 per cent today.<sup>24</sup> What this means is that foreigners are accumulating large claims on the future output of the United States. However the borrowed money is used—whether it is invested productively or not—a proportion of the future returns on U.S. investment will end up flowing abroad as dividends or interest payments.

Who are these foreigners and why do they lend money to the United States on terms that, given the relatively low recent returns on U.S. securities in foreign currency terms, seem generous? Part of the answer is that Asian central banks have been buying large quantities of dollars and dollar-denominated securities. By the end of 2006, China had accumulated in excess of \$1 trillion of reserves, the greater part in the form of U.S. government or agency bonds. At first sight, this channeling of Chinese savings into



American bonds seems bizarre. The average American has an income of about \$40,000 a year and, as we have seen, personal savings of zero per cent of his income. The average Chinese earns around \$1,500 per year but has personal savings of 23 per cent of his income—and is lending a large chunk of these savings, *via* the People's Bank of China, to the average American. The best explanation for this strange transaction (which I have elsewhere called “the Asian tribute” to America's empire)<sup>25</sup> is that the Chinese authorities need to buy dollar bonds to prevent their own currency from appreciating relative to the dollar. The logic is that China needs to keep its exchange rate weak to ensure that its exports continue their successful penetration of the American market. In addition the Chinese, other Asian central banks have also been building up their dollar reserves, determined to avoid the currency crises that beset their economies in 1997-8. Middle Eastern oil producers have also been running large trade surpluses, thanks to high oil prices, and investing at least some of the proceeds in the U.S. (often *via* British, Swiss and Bermudan intermediaries).<sup>26</sup> The result has been a dramatic rise in foreign ownership of American securities of all kinds, but especially government bonds. Foreign ownership of the U.S. federal debt passed the halfway mark in June 2004. Two fifths of corporate bonds are now in foreign hands, and 19 per cent of the U.S. stock market. One analyst has half-seriously calculated that, at the current rate of reserve accumulation, the last U.S. Treasury held by an American would be purchased by the People's Bank of China on February 9, 2012.<sup>27</sup>

To those who spent the best years of their lives studying Latin American debt crises, there is a strong temptation to argue that not only linguistically and demographically, but also financially, the United States is now well on the road to becoming a Latin American country. It is certainly true that U.S. net external debt is now as large in relative terms as some Latin American debts were in the crisis-ridden past.<sup>28</sup> But there is an important difference. Latin American countries, like most countries that have borrowed from abroad in the past, have (until very recently) generally had to borrow in the currency used by their creditors: British pounds in the nineteenth century, U.S. dollars in the twentieth. The United States today is the happy position of being able to borrow from foreigners in its own currency. The parallel with Latin America is therefore misleading, because it is impossible for the United States to suffer the kind of currency

crisis that used to be endemic among developing economies, in which a depreciation of the borrowing country's currency would cause its dollar-denominated debt to skyrocket in peso terms. Rather, the position of the United States is more like that of the United Kingdom in the aftermath of the Second World War, when a substantial part of the British war debt was owed in sterling to current or former British colonies. The analogy is far from perfect, since the UK economy performed dismally in the post-war period, making it exceedingly difficult for it to outgrow its debts. But it was able to reduce the relative burden of the so called "sterling balances" by means of exchange rate depreciation. Because Britain had borrowed in its own currency, it had control over the unit of account. As the pound slid from \$4.00 to below \$2.00 from the 1940s to 1970s, its sterling liabilities were reduced by half in dollar terms.

Does this mean that the dollar is likely to take a similar downward path, losing along the way its status as the world's principal reserve currency? Steep depreciations have certainly happened before. Between March 1985 and April 1988, the dollar depreciated by more than 40 per cent in terms of the currencies of America's trading partners. A comparable slide may conceivably be underway now; indeed, the real trade-weighted exchange rate declined by 22 per cent between February 2002 and August 2007. As a financial exit strategy, dollar depreciation has much to recommend it. In theory, American exports should regain their competitiveness overseas and Asian imports should become more expensive, leading to at least some contraction—though not an elimination—of the trade deficit. Foreign creditors should take the biggest hit, finding their dollar assets suddenly worth much less in terms of their own currencies. There is, however, a catch. A sudden increase in the dollar price of American imports could stoke up U.S. inflation. True, according to the officially preferred (though in many ways unsatisfactory) measure of "core" inflation (which excludes the cost of energy and housing), inflation has fluctuated at around the 2 per cent level since President Bush entered the White House. As measured by the spread between conventional bonds and inflation-proof bonds, inflation expectations remain relatively stable (though they are higher than they were in 2003). But if that were to change—for example, as a belated response to higher energy prices, which have risen by more than 50 per cent since 2000—the Federal Reserve would have little option but to raise interest rates once again. It

should be remembered that the Federal Funds target rate (the overnight rate at which the central bank lends to the banking system) has risen more than fivefold since its nadir of 1 per cent in 2003-2004.

The true significance of higher interest rates has only recently begun to be apparent. The first category of debtors to be affected were households with adjustable rate mortgages (ARMs), particularly those in the so-called “sub-prime” segment of the housing market (meaning borrowers with problematic or non-existent credit histories). As *Barron’s* magazine predicted as long ago as February 2006, the monthly payments on around \$600 billion of sub-prime mortgages have recently started to rise by as much as 50 per cent as their two-year “teaser” periods expire.<sup>29</sup> The consequences of rising defaults and foreclosures made themselves felt in financial markets in August 2007 as it became clear that large quantities of asset-backed mortgages and asset-backed commercial paper, as well as new instruments such as collateralized debt obligations, were in fact secured on sub-prime mortgages. A sudden re-rating of default probabilities caused a credit crunch, the macroeconomic consequences of which remain to be seen, but which will certainly reduce the growth of the U.S. economy in 2008.

The second category of debtor that is almost as vulnerable to higher short-term rates is none other than the federal government itself. The protracted decline of long-term interest rates since the 1980s was a boon for an indebted government. The cost of servicing the federal debt actually declined from 3.2 per cent of GDP in 1990 to 1.5 per cent in 2005, even as the absolute size of the debt soared.<sup>30</sup> But that decline was achieved partly thanks to the term-structure of the debt; the relatively short duration of the bonds issued by the Treasury allowed the government to take maximum advantage of falling rates. At the end of 2006, for example, fully a third of the federal debt had a maturity of less than one year and the average maturity of the entire debt was just 57 months (down from 74 months at the end of 2000).<sup>31</sup> This term structure was beneficial so long as interest rates were heading downwards. But since they have started to rise, there is a serious fiscal cost, since substantial slices of the federal debt must now be refinanced at higher market rates. The fact that long-term rates remained for so long below 5 per cent was one of the unintended but benign consequences of the large scale purchases of U.S. bonds by Asian central banks, discussed above. The more those investors move out of 10-

year Treasuries, as they are now starting to do, the more upward pressure on long-term rates there is likely to be.

Viewed from a strictly macroeconomic perspective, the symbiotic relationship that has evolved between the United States and the rest of the world economy—especially China—has many advantages. Bountiful Chinese savings have tended to keep down the cost of borrowing in the United States. Cheap Chinese labor has tended to boost corporate profitability. From the point of view of national security, however, the debt-driven character of U.S. growth (to say nothing of the rapid technology transfer underway from West to East) has troubling implications. Rising debt-servicing costs and slowing growth are almost certain to translate into a squeeze on discretionary expenditure. It is not without significance that expenditure on social security has consistently exceeded expenditure on national security in every year of the Bush administration, including the years of buoyant growth. The difference between the two is that most social security spending is not discretionary but mandated by legislation. By contrast, expenditure on the military can more easily be cut by Congress. With Democratic majorities in both houses of Congress, following the midterm elections of November 2006, there is every chance that it will be.\*

### III

It is at least arguable, in short, that the Bush Doctrine is simply not affordable over the medium term—a somewhat serious vulnerability in what was billed (for a time at least) as “The Long War”. Yet even if a policy of regular overseas military intervention were affordable in the years to come, the United States would still struggle to achieve its objectives because of a chronic shortage of combat-effective manpower. This is the second of the four deficits that will constrain the next president.

It might have been thought that 300 million Americans would be enough to rule the world—or at least a couple of medium-sized “failed states”. The population of Iraq is 27 million, that of Afghanistan 31 million. Less than a century ago, before the First

---

\* Non-military expenditures with a strategic purpose such as foreign aid have long been subject to this kind of downward pressure. Foreign commentators often argue that the United States is in a position to influence Israeli policy because of the scale of American aid to the Israeli government. But in 2004 U.S. aid to Israel was equivalent to just 3.2 per cent of Israel’s gross domestic product, compared with 14 per cent in 1986.

World War, the population of Britain was 46 million, barely 2.5 per cent of humanity at that time, yet the British were able to govern a vast empire that encompassed an additional 375 million people, more than a fifth of the world's population. So why cannot 300 million Americans control fewer than 58 million foreigners? Part of the answer is simply that, considering the size of the U.S. population and the Pentagon's vast budget, the American military is a remarkably small operation when it comes to putting "boots on the ground". There are today approximately 75 million American men aged between 15 and 49. In 2004, however, the total number of Department of Defense personnel on active duty was 1,427,000, substantially fewer than the country's 2 million-strong prison population. The number of military personnel on active duty in all overseas theatres is currently less a quarter of a million, roughly 0.1 per cent of the American population. When Britain was the global colossus in the 1880s, that proportion was six times higher. Put differently, the number of troops deployed today in Iraq is roughly the same number that Britain had to send to the same country to defeat an insurgency in 1920. Unfortunately, the population of Iraq has increased by a factor of roughly ten in the intervening period. In 1920, when the British successfully quelled an insurgency in Iraq, there were roughly 23 Iraqis for every British (mostly British Indian) soldier. Today, in the midst of an American troop "surge", there are approximately 169 Iraqis for every American soldier. What is more, those Iraqis are better fed, better educated, better armed and better "connected" (thanks to cheap mobile telephony) than their counterparts eighty-seven years ago.

In some ways, this manpower deficit is itself a function of what I have called the American "attention deficit disorder"—namely the tendency of the U.S. electorate quite rapidly to lose interest in difficult overseas conflicts. When the British Prime Minister Tony Blair addressed a Joint Session of Congress in July 2003, he conjured up a vivid image of the parochial American: "In some small corner of this vast country, out in Nevada or Idaho ... there's a guy getting on with his life, perfectly happily, minding his own business, saying to you, the political leaders of this country, 'Why me, and why us, and why America?'" Blair's answer—"because destiny put you in this place in history in this moment in time, and the task is yours to do"—has not convinced most Americans.<sup>32</sup> As a people, the citizens of the United States are famously uninterested in the world

outside their own, vast country. A poll conducted on behalf of National Geographic in 2006 found that 63 per cent of Americans between the ages of 18 and 24 could not find Iraq on a map, while 75 percent could locate neither Israel nor Iran.<sup>33</sup> Asked by Gallup in July 2006 whether “the U.S. should mind its own business internationally and let other countries get along as best as they can on their own”, nearly half of Americans (46 per cent) said it should—compared with just 20 per cent forty years ago. Since September 2005, a majority of Americans have said that it was a mistake for the United States to go into Iraq. According to Gallup’s most recent polls, 62 per cent of Americans now believe it was “not worth going to war”. 71 per cent believe that “things are going moderately or very badly” for the United States in Iraq. And 59 per cent believe that a timetable should be set for withdrawing U.S. troops from the country.<sup>34</sup>

The speed with which the public lost confidence in the administration’s Iraq policy, needless to say, was a function of more than mere parochialism. Support might have been less ephemeral if weapons of mass destruction had been found in Iraq, since their alleged existence furnished the *casus belli*. Nevertheless, it was not difficult to predict in 2003 that public enthusiasm would wane within two to four years. Quite apart from any innate attention deficit disorder, American political culture is subject to the relentless cyclical pressures of the electoral cycle. Though public disillusionment over Iraq was already detectable in November 2004, it had not penetrated Republican “base” sufficiently to affect the outcome of the presidential election of that year. Two years later, by contrast, it unquestionably played an important part in the Democrats’ victory in the midterm elections.

Part of the reason that Americans have lost faith in the Iraq adventure is its extreme unpopularity abroad. “Why do they hate us?” is a question often raised by the American media. Unfortunately, being hated is what happens to dominant empires. It comes—sometimes literally—with the territory. But who hates Americans the most? Where is the Bush Doctrine’s “legitimacy deficit” biggest? It might be expected that it would be in countries that the United States has recently attacked or threatened to attack. Americans themselves are clear about who their principal enemies are. Asked by Gallup earlier this year to name the “greatest enemy” of the United States today, 26 per cent of those polled named Iran, 21 per cent named Iraq and 18 per cent named North Korea—a

noteworthy success for George W. Bush's concept of the "Axis of Evil", since only 8 per cent named Iran and only 2 per cent North Korea six years ago. Are those feelings of antagonism reciprocated? Up to a point. According to a poll by Gallup's Centre for Muslim Studies, 52 per cent of Iranians have an unfavorable view of the United States. But that figure is down from 63 per cent in 2001 and it is significantly lower than the degree of antipathy towards the United States felt in Jordan, Pakistan and Saudi Arabia. Two thirds of Jordanians and Pakistanis have a negative view of the United States and a staggering 79 per cent of Saudis. Sentiment has also turned hostile in Lebanon, where 59 per cent of people now have an unfavorable opinion of the United States, compared with just 41 per cent a year ago. No fewer than 84 per cent of Lebanese Shiites say they have a very unfavorable view of the U.S.<sup>35</sup>

These figures suggest a paradox in the Muslim world. It is not America's enemies who hate the United States most. It is people in countries that are supposed to be America's friends, if not allies. Nor is that the only paradox. The Gallup poll (which surveyed 10,000 Muslims in ten different countries) also revealed that the wealthier and better-educated Muslims are, the more likely they are to be politically radical, scotching the cliché that anti-Western sentiment is an expression of deprivation. Even more perplexingly, Islamists are more supportive of democracy than Muslim moderates. In short, those who imagined that the Middle East could be stabilized with a mixture of economic and political reform—including the author of NSS-2002—could not have been more wrong. The richer people get, the more they favor radical Islamism. And they see democracy as a way of putting the radicals into power. But the paradox of unfriendly allies is not confined to the Middle East. Anti-Americanism is nothing new in European politics, to be sure, particularly on the Left. But the current mood of disapproval extends to traditionally pro-American constituencies. Back in 1999, 83 per cent of British people surveyed by the State Department Office of Research said they had a favorable opinion of the United States. But by 2007, according to the Pew Global Attitudes Project, that proportion had fallen to 51 per cent. Indeed, British respondents to the Pew surveys now give higher favorability ratings to Germany and Japan than to the United States—a remarkable transformation in attitudes, given the notorious British tendency to look back both nostalgically and unforgivingly to the Second World War. It is also very striking

that Britons polled by Pew in 2006 regarded the U.S. presence in Iraq as a bigger threat to world peace than Iran or North Korea (a view which was shared by respondents in France, Spain, Russia, India, China and throughout the Middle East). Nor is Britain the only disillusioned ally. Perhaps not surprisingly, two thirds of Americans believe that their country's foreign policy considers the interests of others. But this view is shared by only 38 per cent of Germans and 19 per cent of Canadians. More than two thirds of Germans surveyed in 2004 believed that American leaders willfully lied about Saddam Hussein's weapons of mass destruction prior to the previous year's invasion, while a remarkable 60 per cent expressed the view that America's true motive was "to control Mideast oil". Nearly half (47 per cent) said it was "to dominate the world".<sup>36</sup> The truly poignant fact is that when Americans themselves are asked to rate foreign countries, they express the most favorable views of none other than Britain, Germany and Canada. Back in the 1990s, Madeleine Albright pompously called the United States "the indispensable nation". Today it seems to have become the indefensible nation, even in the eyes of its supposed friends.\*

#### IV

The facile explanation for the Bush Doctrine's legitimacy deficit—at home as well as abroad—is the incompetence of the present administration, handicapped as it has been by a combination of delusion, ignorance and obstinacy. Early on in Bush's first term, Richard Armitage, then Deputy Secretary of State, characterized the decision making process in Washington as FUBAR—"F\*\*\*ed Up Beyond All Recognition". This may be the acronym for an era. After 9/11, the President was deluded by the notion that he had been divinely "called", just as his father's generation had been called by World War II. Believing he was "here for a reason", Bush was open to the argument that invading Afghanistan was not a sufficient response to the "Islamofascist" version of Pearl Harbor.

---

\* There are, admittedly, a few scraps of good news in the international polls. Very few Europeans, for example, would welcome China's becoming a serious military rival to the United States. There is overwhelming European opposition to Iran's acquiring nuclear weapons. And there is a surprising amount of hostility towards the Palestinian radicals of Hamas in both France and Germany. But look again at some of America's supposed allies. One in four Indians, two out of five Egyptians and one out of every two Pakistanis favor a nuclear-armed Iran. A third of Britons, half of all Indians and three quarters of Egyptians welcomed the success of Hamas in last year's Palestinian elections.



The Secretary of Defense, Donald Rumsfeld, also wanted another war—one that he, rather than the CIA, the State Department or the Joint Chiefs of Staff, could control; one that would prove his theory that the U.S. military could be run like an armed version of the computer company Dell. Rumsfeld deluded himself that Iraq fitted the bill. The Director of the CIA, George Tenet, deluded himself that the intelligence on Saddam's possession of Weapons of Mass Destruction could be used to provide a "slam dunk" case for war. The neo-conservatives with whom Rumsfeld surrounded himself, notably Paul Wolfowitz and Doug Feith, also deluded themselves that American forces would be welcomed in Baghdad as liberators, as their forefathers had been in Paris in 1944. The Vice-President, Dick Cheney, deluded himself that a new government could be formed for Iraq by the discredited exile Ahmed Chalabi and his Iraqi National Congress. As head of the Coalition Provisional Authority, L. Paul "Jerry" Bremer deluded himself that he would be to Iraq what Douglas MacArthur had been to Japan, purging the civil service and disbanding the army—measures that led directly to the 2004 insurgency.

It was not that expert advice was unavailable about how many troops would be needed to police post-war Iraq. It was simply ignored. So were the warnings of those (including the President's own father) who feared a civil war in Iraq if Saddam was overthrown. Bad news from Baghdad was hushed up. When no weapons of mass destruction were found, the subject was hastily changed. As the violence escalated relentlessly in 2005, Cheney went on CNN to declare: "I think they're in the last throes, if you will, of the insurgency." "We're not leaving, Bush told Republican Congressmen seven months later, "[even] if Laura [his wife] and Barney [his dog] are the only ones who support me." According to Woodward, Bush once complained bitterly about the difficulty of finding a reliable Iraqi to lead the new democratic government in Baghdad. "Where's George Washington?" he exclaimed to his Chief of Staff, Andy Card. "Where's Thomas Jefferson? Where's John Adams, for crying out loud?"<sup>37</sup> This is a question many Americans have been asking about their own leadership, as the debacle of Bush's second term has unfolded. By January 2007, only a minority of Americans can have been persuaded by their President's televised assertions that the war in Iraq was "the decisive ideological struggle of our time" and that "the most realistic way to protect the American people" was "by advancing liberty across a troubled region". On the contrary, lack of

realism has become one of the defining characteristics of the Bush Doctrine as it has been implemented. The result has been to advance not liberty but anarchy across a large swath of the Middle East. Worse, failure in Iraq has exposed the limits of the President's own security strategy. Having asserted the right of the United States to act preemptively against potential threats, President Bush now appears impotent to prevent the two remaining members of his "Axis of Evil"—North Korea and Iran—from, respectively, testing and building weapons of mass destruction. The administration that once rode rough-shod over the United Nations now has to engage in horse-trading on the Security Council in the hope that tighter sanctions will deter the Iranians from following the North Korean example. The U.S. ambassador in Iraq has even been reduced to holding direct talks about the security situation with his Iranian counterpart, a belated vindication of the recommendations put forward last year by the Iraq Study Group.<sup>38</sup>

Yet it would be a mistake to conclude that merely by being more competent a new president could somehow close the American legitimacy deficit. The deficits of American power are structural, not merely the results of mistakes by one misguided administration. A new president needs to recognize, in a way that President Bush did not, the limitations these deficits impose. They are not likely to diminish in the years ahead. In addition, however, Bush's successor needs to identify the fundamental misconception that underpinned NSS-2002. "History", declared President Bush in that document, "will judge harshly those who saw this coming danger but failed to act."<sup>39</sup> Yet it may judge even more harshly those who acted preemptively and appeared to fail. Gratifying though it is to heap opprobrium on the administration for its ineptitude, critics would do well to consider a more profound conceptual defect of the Bush Doctrine itself, for which no excellence of execution could have compensated. It relates to the fundamental problem that confronts any democratically elected strategist, as identified more than forty years ago by Henry Kissinger: "the problem of conjecture".

The rationale for a policy of preemption was quite explicit in NSS-2002: it was to prevent a terrorist organization, with or without the assistance of a rogue regime, from acquiring weapons of mass destruction and using them to perpetrate a "super 9/11". The nightmare was "catastrophic technologies in the hands of the embittered few":

Traditional concepts of deterrence will not work against a terrorist enemy whose avowed tactics are wanton destruction and the targeting of innocents; whose so-called soldiers seek martyrdom in death and whose most potent protection is statelessness. The overlap between states that sponsor terror and those that pursue WMD compels us to action.<sup>40</sup>

There is, of course, a clear logical argument in favor of acting to avert a catastrophe—whether it be a nuclear, biological or chemical terrorist attack, or an asteroid’s striking the earth—no matter how low its probability.<sup>41</sup> Yet there is also a serious danger that we misjudge the probabilities of such catastrophes and take preemptive actions which are, at best, futile and, at worst, positively harmful to our security. This is precisely the mistake the Bush administration made. “Even if there’s only a one percent chance of the unimaginable becoming true,” Vice President Dick Cheney told CIA and NSA officials in November 2001, “act as though it’s a certainty. It’s not about our analysis, or finding a preponderance of evidence. It’s about our response.”<sup>42</sup> There is, however, a world of difference between a probability of one per cent and a certainty of one hundred per cent.

Viewed retrospectively, terrorism is very clearly not the principal threat to the lives of ordinary Americans. In all, 48,071 people lost their lives in transport accidents in 2003, vastly more than were killed by terrorists in 2001. The average American’s lifetime risk of dying as a result of a transport accident is around 1 in 78. His risk of dying as a result of a violent assault by a firearm is 1 in 314. His risk of dying as a result of war is 1 in 267,719.<sup>43</sup> Worldwide, disease rather than war is the biggest reason why human beings’ lives are cut short. Among young people aged between 15 and 29, HIV/AIDS caused an order of magnitude more deaths than war in 2002: just over 700,000 compared with just over 70,000.<sup>44</sup> Americans, in short, are vastly more likely to kill themselves—more often accidentally than deliberately—than to be killed by terrorists. They are more threatened by their diet and by their driving than they are by Al Qaeda. Yet when asked to name the “most important problem facing the United States”, 22 per cent cite the war in Iraq and 8 per cent terrorism—the same proportion that name the healthcare system. If it is lives that need to be saved, resources would surely be better spent on a system of universal health insurance than on the forcible export of “freedom”.

Another way of considering the problem of terrorism is to compare it with the problem of natural disasters like Hurricane Katrina. The direct costs of the terrorist attacks of 9/11 have been estimated at \$27 billion, excluding unknowable indirect losses due to deferred investment decisions and lower growth. Viewed from the perspective of the insurance (and reinsurance) industry, the losses arising from 9/11 were in the region of \$30-50 billion.<sup>45</sup> The losses due to Katrina were of a similar order of magnitude: around \$38 billion. But natural disasters are much more frequent than really big terrorist attacks. Overall, between 1984 and 2004, the inflation-adjusted losses in the U.S. due to terrorism amounted to \$24 billion; the losses due to natural disasters in the same period were \$188 billion.<sup>46</sup> If it is property that needs to be protected, federal resources would be better spent on improved flood defenses and storm warning systems. Perhaps resources might also be better spent on combating climate change. After all, there is at least some evidence that the incidence of meteorological disasters is rising as a result of global warming, whereas the trend in the number if not the magnitude of international terrorist incidents—as well as in human conflict generally—would appear to be downwards.<sup>47</sup>

The conventional response is that another, bigger terrorist attack—a nuclear explosion in a major city—would render such calculations obsolete. Yet, leaving aside the extreme difficulty of causing a nuclear explosion as compared with hijacking and crashing planes, there is a need for caution. Having been completely caught out by some random event, we human beings are wonderfully good at retrospectively “predicting” it, and then prospectively exaggerating the likelihood of its happening again. The truth is that 9/11 was what Nassim Taleb calls a “Black Swan”, a term derived from what philosophers call the problem of induction.\* For a variety of reasons, not least the tendency of economists and others to assume that most things conform to the normal distribution or “bell curve”, we have a tendency, *ex ante*, to regard low-probability disasters as virtually zero-probability events. But the statistical distributions of earthquakes, financial crises and wars are not like those of human heights or weights,

---

\* Suppose you have spent all your life in the northern hemisphere and have only ever seen white swans. You might very well conclude (inductively) that all swans are white. But take a trip to Australia, where swans are black, and your theory will collapse. A “Black Swan” is therefore anything that seems to us, on the basis of our limited experience, to be impossible.

which cluster around the mean value. They obey a quite different set of rules (sometimes known as fractal distribution or “power laws”). In each case, when you plot a chart, there is much less clustering around the average, and there are many more data points at the extremes. Compared with the standard bell curve, these curves have “fat tails” at each end; there are more really big (and really small) quakes, crashes and wars than the normal distribution would lead you to expect.<sup>48</sup> The same is almost certainly true of terrorist acts (and, interestingly, of insurgency-type wars).<sup>49</sup> If one were to plot all the international terrorist incidents that have taken place in the world in the past quarter-century according to the number of people killed, there would be a surprisingly large number of very lethal attacks and, at the other end of the chart, a comparably large number of damp squibs in which no one received so much as a scratch. In the nearly forty years between 1968 and the present, six per cent of recorded terrorist incidents accounted for nearly half (46 per cent) of fatalities attributable to international terrorism. But three per cent of incidents killed no one at all. In only one month since records began to be kept—September 2001—has international terrorism killed more than three thousand people. The next most dangerous month, October 2002, claimed fewer than four hundred lives.

Since Thucydides, historians have sought to endow low-probability calamities with commensurately large causes. Generations of scholars toiled in this way to explain the origins of great upheavals like the French Revolution or the First World War, constructing elegant narrative chains of causes and effects, heaping opprobrium on this or that statesman. Ambitious journalists today do the same for 9/11; Lawrence Wright’s *The Looming Tower* traces the origins of the terrorist attacks of 2001 back to the execution of Sayyid Qutb, the Islamist writer who inspired the Muslim Brotherhood, in 1966.<sup>50</sup> There is something suspect about this procedure, however. For these causal chains were quite invisible to contemporaries, to whom 9/11, like the outbreak of war in 1914, came as a bolt from the blue. The point is that there were umpteen Balkan crises before 1914 that did not lead to Armageddon.<sup>51</sup> In the same way, there were numerous attempts by Al Qaeda to hit American targets that were far less devastating than 9/11—enough, indeed, to enable a number of commentators (including this writer) to predict a much bigger attack at some unspecified future date.<sup>52</sup> Only in retrospect, however, did these earlier crises appear to be harbingers of the most lethal terrorist attack in history.

On the other hand, having been caught out once, we err if we swing to the other extreme by proceeding, *ex post facto*, to exaggerate the probability of another, similar disaster (hence Vice President Cheney's equation of 1 per cent with 100 per cent). This does not matter greatly if the cost of prophylaxis against another "black swan" is relatively cheap. But the same is not true if the cost is high. Knowing that world wars can happen roughly twice a century is like knowing that a college student can run amok roughly once a decade. It does not allow you to predict which diplomatic or personality crisis will be the lethal one. And if you cannot do that, prophylaxis can become very expensive. Not all depressed students can be incarcerated preemptively to eliminate the tiny risk that one of them may be the next Cho Seung-Hui, the student who murdered 32 people on the campus of Virginia Tech in April 2007. In the same way, not all rogue regimes can be overthrown preemptively to eliminate the risk that one of them may equip Al Qaeda with WMD. In a democracy, as President Bush has learned, no policy-maker will be rewarded for writing that kind of prescription. Acting preemptively to stop bad things from happening will not make you popular, precisely because the cost of prophylaxis will always have to be paid. If the treatment fails, you will be blamed. But if the treatment is successful, you will not be thanked, because the bad things will not happen.

On Bush's watch, let it not be forgotten, there has not been another 9/11.\* And Saddam Hussein will never again aspire to own WMD, much less (if the idea ever crossed his mind) to give it to Al Qaeda. For all we know, there may even be some connection between the lack of another 9/11 and the ongoing conflict in Iraq. Perhaps, as some neoconservatives suggested in 2004, Iraq really has acted as a kind of "honey-trap" for would-be terrorists, absorbing violent energies that might otherwise have been

---

\* According to the verbatim transcript of his Combatant Status Review Tribunal Hearing, the Al Qaeda leader Khalid Sheikh Mohammed was responsible not only for "the organizing, planning, follow-up and execution ... from A to Z" of the 9/11 attacks, but also for the 1993 attempt to blow up the World Trade Center, the murder of the American journalist Daniel Pearl, the attempt by the shoe bomber Richard Reid to blow up an American plane, the murder of two U.S. soldiers in Kuwait, and sundry bombings in Bali, Mombassa and Turkey. He also claims to have planned more than other twenty terrorist actions, including "Dirty Bomb Operations on American soil", post-9/11 "Second Wave" attacks on the Library Tower in Los Angeles, the Sears Tower in Chicago, the Plaza Bank in Washington state and the Empire State Building in New York, and further attacks on New York's suspension bridges and stock exchange, as well as on American nuclear power plants. If he is to be believed, then his capture in Pakistan in 2003 saved thousands of American lives.

directed against the American homeland. At the very least, some credit must surely be due to the administration for tightening up domestic security after 2001. But is anybody grateful for these putative successes of the National Security Strategy? On the contrary: President Bush's approval rating touched a nadir of 29 per cent in July 2007, a level not seen by second-term president since Richard Nixon. The logic is sadly inexorable. Not even Bush himself can be certain that his strategy of preemption deserves the credit for non-events. As we have seen, however, everyone can be certain that his strategy does deserve the blame for the increase in defense expenditure, the loss of more than 3,500 American service personnel and the decline in the international standing of the United States.

Herein lies the essential flaw of the Bush Doctrine—a fatal flaw which even the most perfect implementation could not have overcome. There is a complete asymmetry in the rewards conferred on politicians for retaliation as compared with preemption. Retaliation is nearly always popular and can be carried out with considerable ferocity and at considerable cost. But preemption is doomed to be unpopular. Its success can never be proven. And its failure is far more costly than the consequences of mere negligence. Were another major terrorist attack to happen now—which can never be ruled out—President Bush would surely overtake Richard Nixon, and perhaps all other previous occupants of the White House, in the unpopularity stakes. With one voice, the world's media would declare that administration's policy had worsened the very disease it had purported to cure.

For national security is not like macroeconomic stability. The Federal Reserve under Alan Greenspan garnered widespread praise and popularity for what amounted to a monetary strategy of preemption. When fears of deflation surfaced in the wake of the 2001 recession, the Fed cut interest rates aggressively. The threat of deflation, whether it was real or imaginary, subsequently receded. The so-called “Greenspan put” has underpinned the sustained rise of asset markets in the United States and around the world ever since. Yet only a minority of pessimists has complained that the result has been a succession of financial bubbles. The reason is that the cost of this strategy of preemption has been low. Indeed, for many investors the cost has been negative, in the sense that low interest rates have helped make them rich.

V

So what is to be done? The first thing a new president must do is to abandon all three of the key pillars of NSS-2002: preemption, unilateralism and crypto-imperialism (“extending the benefits of freedom across the globe”). Because of the various deficits I have already described, the United States can neither afford nor sustain numerous overseas interventions, especially when these enjoy the backing of nothing more than *ad hoc* “coalitions of the willing”, and when their duration is almost certain to exceed four years. At the same time, President Bush’s successor needs to jettison the assumption, which was fundamental to NSS-2002, that the biggest threat to the United States today is posed by terrorist organizations armed with WMD. It is not. At least four more pressing problems suggest themselves.

*a) The imminent descent of the Greater Middle East into a large-scale conflagration*

At the time of writing, debate on U.S. strategy is tightly focused on how quickly the United States can wind down its involvement in Iraq and on whether or not neighboring countries can be persuaded to help stabilize it. But what if it is Iraq that destabilizes its neighbors? Currently, between one and three thousand civilians are dying every month in Iraq, the majority of them victims of the bitter sectarian violence between Sunnis and Shias that has flared up since the overthrow of Saddam. Iraq, however, is not the only Middle Eastern state to have a mixed population of Sunnis, Shias and other religious groups. There are substantial numbers of Shias in Bahrain, Kuwait, Lebanon, Saudi Arabia, Syria, Turkey and Yemen (to say nothing of Afghanistan and Azerbaijan). Even predominantly Shiite Iran has its Sunni minority, the persecuted Ahwazis who live in the strategically vital southwestern province of Khuzestan.<sup>53</sup> Ironically, the world is not facing the “Clash of Civilizations” predicted by Samuel Huntington in 1993, which pitted the West against Islam, but a clash within Islamic civilization. We must take very seriously the risk that the Greater Middle East could become in our time what Eastern Europe was in the 1940s or Central Africa in the 1990s: a lethal zone of conflict.<sup>54</sup>

*b) The breakdown of the system of nuclear non-proliferation*



Meanwhile, the principal beneficiary of the overthrow of Saddam—Iran—is proceeding more or less brazenly with a program of uranium enrichment designed ultimately to produce weapons-grade fissile material. In a recent lecture at Harvard, the Nobel Prize-winning economist and nuclear theorist Thomas Schelling argued that three things had prevented nuclear weapons from being used in anger over the past sixty years: the Non-Proliferation Treaty; the informal taboo on their use; and the fear of retaliation. That was why the Bomb was not dropped during the Korean War, and that was why both superpowers invested heavily in conventional forces in Europe, which would have been redundant in a nuclear exchange. Nuclear weapons give their possessors influence, Schelling concluded, precisely through not being used.<sup>55</sup> Yet these calculations may no longer be valid. On the eve of its fortieth birthday, the Non-Proliferation Treaty is beginning to look like a dying, if not a dead letter. Israel, India and Pakistan did not sign it, North Korea withdrew from it and Iran is now almost certainly in breach of it. Secondly, the taboo on the use of nuclear weapons and the fear of retaliation are more likely to be overcome the more powers possess nuclear weapons. We may be moving towards a world of multiple mini Cold Wars, with pairs of nuclear powers eyeball to eyeball in nearly every region, as is already the case in South Asia. Japan could quite quickly acquire nuclear weapons if it felt insufficiently protected by the United States against China. The key Cold War of the future, however, would be the one in the Middle East, with Israel on one side and Iran on the other. It is worth recalling that the Iranian President Mahmoud Ahmadinejad is a devotee of the Hidden Twelfth Imam, who Shiites believe will return to earth as the *Mahdi* (Messiah) for a final decisive showdown with the Forces of Evil. When Ahmadinejad addressed the United Nations in September 2005, he concluded by imploring God “to hasten the emergence of your last repository, the promised one, that perfect and pure human being, the one that will fill this world with justice and peace”.<sup>56</sup> To a millenarian, the idea of mutually assured destruction is no deterrent.

- c) *Intensifying competition between the world's major economies for raw materials, including energy sources, and export markets*

The race to acquire nuclear energy makes sense in a world of finite fossil fuel supplies. Yet with the rapid growth of the world economy, led by breakneck industrialization in Asia, the demand for traditional energy sources is growing faster than the supply of nuclear and “renewable” energy. As the consumption of oil, natural gas and coal rises—to say nothing of the many other commodities consumed by a modern economy—so the potential for new conflicts grows. Russia has for some time been flexing its muscles as one of the world’s leading energy exporters. High oil and gas revenues are also enriching regimes that have a record of financing Islamic extremism. China, meanwhile, is seeking to establish economic ties with African commodity exporters regardless of their human rights records. The “resource curse”, whereby political development is hampered by plentiful natural resources, is a more potent curse when commodity prices are high. Paradoxically, Iraq’s oil wealth may well become one of the drivers of that country’s disintegration as the rival ethnic groups compete for what they see as their rightful shares. Perhaps the biggest difference between pulling out of Vietnam and pulling out of Iraq is that the latter accounts for 10 per cent of proved global oil reserves.<sup>57</sup>

*d) The potential unraveling of the system of multilateral trade negotiation*

Finally, it is easily forgotten that the momentum towards a comprehensive agreement on world trade has largely been lost, to the extent that the completion of the Doha Round now seems a remote prospect. Increasingly, the trend is towards bilateral or sub-regional trade agreements, which tend to advantage the bigger players while reducing the aggregate global benefits of freer trade. This may seem a prosaic point, but it should not be dismissed as such when there are already so many protectionist measures before the U.S. Congress, which aim at penalizing China for alleged currency manipulation. Quite what protectionist legislation would do to the delicate equilibrium of Sino-Chinese relations is not easy to predict, but it would surely have some impact on the reserve policy of the People’s Bank of China.

The common theme that links each of these problems is that they can be effectively addressed only within the framework of international institutions established after the Second World War and centered on the United Nations. In particular, more

effort needs to be made to revive the credibility and effectiveness of the U.N. Security Council, the International Atomic Energy Agency and the World Trade Organization. Fortunately for the next President, these are institutions that were in large measure created by the United States. They are therefore institutions in which its interests are well represented. Those who recommend radical reform of the Security Council should reflect more deeply on this point. In a recent pamphlet, G. John Ikenberry and Anne-Marie Slaughter endorsed the proposal of the U.N.'s own High Level Panel that Brazil, Germany, India, Japan and two African states—presumably the most populous, Egypt and Nigeria—should be invited to join the Security Council as permanent members without a veto. They also called for the abolition of all the existing veto-rights “for resolutions authorizing direct action in response to a crisis”. Instead, they argue, such resolutions should require only a “supermajority” vote of “perhaps three quarters of voting members”.<sup>58</sup> Such a Security Council would certainly represent a much larger proportion of the world's population (55 per cent as opposed to the current 29 per cent). On the other hand, were these proposals to be adopted, it would be possible to construct a supermajority without the United States and its most dependable ally the United Kingdom. Being outvoted on resolutions for “direct action” would scarcely endear an already little-loved institution to American voters. Indeed, it is hard to think of a reform of the international system that would be less in the American national interest.

The new president should therefore seek to exploit the inbuilt advantage the United States enjoys in most international institutions to reassert America's commitment to the ideals of Woodrow Wilson and Franklin Roosevelt. Yet there is another aspect of their legacy that should also be revived: the primacy of retaliation over preemption. When Wilson was elected President, the probability that imperial Germany would sink American merchant ships and offer a military alliance to Mexico was infinitely small. When Roosevelt entered the White House, the probability that imperial Japan would try to wipe out the U.S. Pacific fleet was equally tiny. Had either president adopted a policy of preemption, designed to destroy German submarines or Japanese aircraft carriers before they could be used against the United States, they would have been thought quite mad, wise though these policies might now seem with the benefit of hindsight. As was true of the attacks of September 11, 2001, the sinking of the *Lusitania* and the raid on

Pearl Harbor were true surprises<sup>59</sup>—or, in Taleb’s terminology, “black swans”—which were extremely hard to foresee. Trying to preempt them would not have been a rational policy choice. Success would not have been appreciated; the cost of the prophylaxis would almost certainly have been deemed excessive.

Not every president suffers a nasty surprise, it is true. Nevertheless, the next president should act on the assumption that black swans do exist. She or he must also acknowledge how difficult even the most astute human being finds it to overcome the distortions imposed on cognition by heuristics and biases. We are not, as a species, especially good at assigning probabilities to future threats. We underestimate the frequency of “black swans”. Experiments show that we all too readily succumb to such cognitive traps as the fallacy of conjunction, confirmation bias, contamination effects, the affect heuristic, scope neglect, over-confidence in calibration and bystander apathy.<sup>60</sup> That is why the next president’s security strategy should be crafted in the light of all the existing or potential threats that confront the United States, and not just to the one threat (“deliverable weapons of mass destruction in the hands of a terror network or murderous dictator”) that NSS-2002 purported to address. The spread of conflict in the Middle East; the proliferation of nuclear weapons; the chase for commodities; and the return of protectionism—the dangers associated with these trends may be harder to visualize than a nuclear explosion in New York, but they may also have a much higher probability. Given the finite resources at the president’s disposal, in terms of finance, military manpower, public support and international legitimacy, there is an urgent need to construct a diversified and well-hedged strategic portfolio.

As we have seen, Kissinger’s “problem of conjecture” remains the essential dilemma that confronts any new commander-in-chief. By underestimating a nascent threat, the line of least resistance may prove costly in the end. The bolder course of preemption may go unrewarded precisely because it prevents that threat from being realized. But when resources are limited, when threats are myriad and when cognition is imperfect, discretion may be the better part of valor. The lesson of the Bush era, and of the ignominious fate of the Bush Doctrine, is that, when one is given the choice between “the assessment which requires the least effort [and] ... an assessment which requires more effort”, sometimes the former is the right one to pick.

---

**Notes to Niall Ferguson, “The Problem of Conjecture”**

<sup>1</sup> Henry Kissinger, “Decision Making in a Nuclear World”, Kissinger Private Papers, Library of Congress, pp. 4ff.

<sup>2</sup> George W. Bush, *The National Security Strategy of the United States of America* (Washington, D.C., 2002) [henceforth NSS-2002], p. 4: <http://www.whitehouse.gov/nsc/nss.pdf>.

<sup>3</sup> *Ibid.*, p. 12.

<sup>4</sup> See for example Ivan Eland, *The Empire Has No Clothes: U.S. Foreign Policy Exposed* (Oakland, CA: Independent Institute, 2004), p. 205.

<sup>5</sup> NSS-2002, pp. 4, 9.

<sup>6</sup> Niall Ferguson, *Colossus: The Rise and Fall of the American Empire* (New York: Penguin Press, 2004), pp. 152f.

<sup>7</sup> The point was first made in Melvyn P. Leffler, “9/11 and the Past and the Future of American Foreign Policy”, *International Affairs*, 79, 5 (October, 2003), pp. 1045-1063. See also Colin S. Gray, “The Implications of Preemptive and Preventive War Doctrines: A Reconsideration”, Strategic Studies Institute monograph (July 2007).

<sup>8</sup> Niall Ferguson, *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power* (New York: Basic Books, 2003), pp. 368ff.

<sup>9</sup> NSS-2002, p. 20.

<sup>10</sup> “Strategies for Maintaining U.S. Predominance”, OSD/NA Summer Study, August 1, 2001.

<sup>11</sup> Linda Bilmes and Joseph E. Stiglitz, “Encore: Iraq Hemorrhage”, update of “The Economic Costs of the Iraq War”, *Milken Institute Review*, Fourth Quarter (2006), pp. 76-83.

<sup>12</sup> William D. Nordhaus, “Iraq: The Economic Consequences of War”, *New York Review of Books* 49, 19 (December 5, 2002). The White House initially projected the cost of the war at \$100-200 billion. Increased Iraqi oil revenues were supposed to cover much of this outlay.

<sup>13</sup> For an attempt to argue the contrary, see Steven J. Davis, Kevin M. Murphy, Robert H. Topel, “War in Iraq versus Containment”, NBER Working Paper, 12092 (March 2006).

<sup>14</sup> Chairman of the Council of Economic Advisors, *Economic Report of the President 2007* (Washington, D.C., 2007), table B-78: <http://www.gpoaccess.gov/eop/tables07.html>.

<sup>15</sup> <http://www.cbo.gov/budget/budproj.pdf>.

<sup>16</sup> Robert D. Hormats, *The Price of Liberty: Paying for America’s Wars* (New York: Times Books / Henry Holt & Company, 2007), pp. 271-99.

<sup>17</sup> <http://www.cbo.gov/budget/budproj.pdf>.

<sup>18</sup> Data provided by Professor Charles Goodhart of the London School of Economics and the Bank of England.

<sup>19</sup> <http://www.federalreserve.gov/releases/z1/current/z1r-2.pdf>.

<sup>20</sup> For a contrary view, see Richard N. Cooper, “Understanding Global Imbalances”, Harvard University Economics Department Working Paper (2006):

<http://www.economics.harvard.edu/faculty/cooper/papers/frbb.rev.pdf>.

<sup>21</sup> Niall Ferguson and Laurence Kotlikoff, “A New New Deal”, *New Republic*, August 15, 2005.

<sup>22</sup> Further details in Laurence J. Kotlikoff and Scott Burns, *The Coming Generational Storm: What You Need to Know about America’s Economic Future* (Boston: MIT Press, 2004). See also Peter G. Peterson, *Running on Empty: How the Democratic and Republican Parties Are Bankrupting our Future and What Americans Can Do About It* (New York: Farrar, Straus and Giroux, 2004).

<sup>23</sup> Jagadeesh Gokhale and Kent Smetters, “Fiscal and Generational Imbalances: New Budget Measures For New Budget Priorities”, The Federal Reserve Bank of Cleveland, Policy Discussion Paper (March 2002).

See most recently their paper, “Measuring Social Security’s Financial Problems”, NBER Working Paper 11060 (January 2005).

<sup>24</sup> *Economic Report*, Table B-107.

<sup>25</sup> Niall Ferguson, “Bretton Woods II, the Dollar Balances, and the Asian Tribute to America’s Empire”, Harvard University Working Paper (February 2005).

<sup>26</sup> George Magnus, “The New Silk Road”, UBS Investment Research (February 2006).

<sup>27</sup> Data from Bridgewater Daily Observations, [www.bwater.com](http://www.bwater.com).

<sup>28</sup> Lane, Philip R. and Gian Maria Milesi-Ferretti, “The External Wealth of Nations: Measures of Foreign Assets and Liabilities for Industrial and Developing Countries”, *Journal of International Economics*, 55 (2001), pp. 263–294.

<sup>29</sup> Jonathan R. Laing, “Coming Home to Roost”, *Barron’s*, February 17, 2006.

<sup>30</sup> <http://www.cbo.gov/budget/budproj.pdf>; <http://frwebgate.access.gpo.gov/cgi-bin/multidb.cgi>.

<sup>31</sup> *Economic Report*, table B-88.

<sup>32</sup> “Blair’s Address to a Joint Session of Congress”, *New York Times*, July 17, 2003.

<sup>33</sup> “Young Americans Geographically Illiterate: Survey”, AFP, May 2, 2006.

<sup>34</sup> <http://www.galluppoll.com/content/default.aspx?ci=1633>.

<sup>35</sup> All data from <http://www.galluppoll.com/>.

<sup>36</sup> All data from <http://pewglobal.org/reports/>.

<sup>37</sup> Bob Woodward, *State of Denial: Bush at War, Part III* (New York: Simon & Schuster, 2006)

<sup>38</sup> Kirk Semple, “In Rare Talks, U.S. and Iran Discuss Iraq”, *New York Times*, May 28, 2007. For the Iraq Study Group, see James A. Baker III and Lee H. Hamilton, with Lawrence S. Eagleburger, Vernon E. Jordan, Jr., Edwin Meese III, Sandra Day O’Connor, Leon E. Panetta, William J. Perry, Charles S. Robb and Alan K. Simpson, *The Iraq Study Group Report* (Vintage Books: New York, 2006)

<sup>39</sup> NSS-2002, p. 4.

<sup>40</sup> NSS-2002, p. 15.

<sup>41</sup> Richard A. Posner, *Catastrophe: Risk and Response* (Oxford: Oxford University Press, 2004), esp. pp. 73–84.

<sup>42</sup> Ron Suskind, *The One Percent Doctrine: Deep Inside America’s Pursuit of Its Enemies Since 9/11* (New York: Simon & Schuster, 2007)

<sup>43</sup> National Safety Council, “What are the Odds of Dying?”: <http://www.nsc.org/lrs/statinfo/odds.htm>.

<sup>44</sup> World Health Organization Global Burden of Disease Project (2002), Version 1.

<sup>45</sup> Robert Looney, “Economic Costs to the United States Stemming from the 9/11 Attacks”, *Strategic Insight*, August 5, 2002.

<sup>46</sup> “Assessing the Damage”, *Economist*, September 15, 2005.

<sup>47</sup> The statistics are highly problematic, particularly since the discontinuation of the State Department’s annual publication, *Patterns of Global Terrorism*: see Francis Rheinheimer and Chris Weatherly, “Terrorism Statistics Flawed”, *Center for Defense Information*, April 12, 2006. Different series are available online from the Memorial Institute for the Prevention of Terrorism (MIPT) and the Worldwide Incidents Tracking System (WITS). A widely used dataset can be found in Edward F. Mickolus and Susan L. Simmons, *Terrorism, 2002-2004*, 3 vols. (Westport, CT: Greenwood, 2005).

<sup>48</sup> Nassim Nicholas Taleb, *The Black Swan: The Impact of the Highly Improbable* (London: Penguin/Allen Lane, 2007).

<sup>49</sup> Neil F. Johnson, Mike Spagat, Jorge A. Restrepo, Oscar Becerra, Juan Camilo Bohórquez, Nicolas Suárez, Elvira Maria Restrepo and Roberto Zarama, “Universal Patterns Underlying Ongoing Wars and Terrorism”, *Preprint Physics* (2005).

<sup>50</sup> Lawrence Wright, *The Looming Tower: Al-Qaeda and the Road to 9/11* (New York: Knopf, 2006).

<sup>51</sup> Niall Ferguson, “Political Risk and the International Bond Market between the 1848 Revolution and the Outbreak of the First World War”, *Economic History Review*, 59, 1 (February 2006), pp. 70–112.

<sup>52</sup> Niall Ferguson, *The Cash Nexus: Money and Power in the Modern World, 1700-2000* (New York: Basic Books, 2001), p. 412.

<sup>53</sup> See in general Vali Nasr, *The Shia Revival: How Conflicts within Islam Will Shape the Future* (New York: W.W. Norton & Co., 2006).

<sup>54</sup> Niall Ferguson, “The Next War of the World”, *Foreign Affairs*, 85, 5 (September/October 2006), pp. 61–74.

<sup>55</sup> Thomas Schelling, “An Astonishing Sixty Years”, Weatherhead Center, Harvard, March 2, 2006.

---

<sup>56</sup> “Full text of President Ahmadinejad’s speech at General Assembly”, Islamic Republic News Agency, September 17, 2005: <http://www.globalsecurity.org/wmd/library/news/iran/2005/iran-050918-irna02.htm>.

<sup>57</sup> BP Statistical Review of World Energy June 2005: <http://www.bp.com/statisticalreview>.

<sup>58</sup> See e.g. G. John Ikenberry and Anne-Marie Slaughter, *Forging A World of Liberty Under Law: U.S. National Security in the 21st Century—The Final Report of the Princeton Project on International Security* (Princeton, 2006).

<sup>59</sup> For a somewhat different view, see John Lewis Gaddis, *Surprise, Security, and the American Experience: The Joanna Jackson Goldman Memorial Lectures on American Civilization and Government* (Cambridge: Harvard University Press, 2005).

<sup>60</sup> Eliezer Yudkowsky, “Cognitive Biases Potentially Affecting Judgment of Global Risks”, forthcoming in Nick Bostrom and Milan Cirkovic (eds.), *Global Catastrophic Risks*.