



# HOOVER DIGEST

RESEARCH + COMMENTARY  
ON PUBLIC POLICY

SUMMER 2023 NO. 3

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The *Hoover Digest* (ISSN 1088-5161) is published quarterly by the Hoover Institution on War, Revolution and Peace, 434 Galvez Mall, Stanford University, Stanford CA 94305-6003. Periodicals Postage Paid at Palo Alto CA and additional mailing offices.

Cambey & West provides sales processing and customer service for the *Hoover Digest*. For inquiries, e-mail [hooverdigest@cambeywest.com](mailto:hooverdigest@cambeywest.com), phone (866) 889-9026, or write to: Hoover Digest, PO Box 355, Congers, NY 10920.

**POSTMASTER:** Send address changes to the Hoover Institution Press, 434 Galvez Mall, Stanford University, Stanford CA 94305-6003.

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# True Tax Reform

**A proposed consumption tax hasn't a chance of passing this year. But hopes of breaking and remaking America's tax code are stirring.**

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**By John H. Cochrane**

Something remarkable happened earlier this year: On January 9, Georgia Representative Buddy Carter introduced HR 25, the Fair-Tax Act of 2023, to the House of Representatives, and secured a promise of a floor vote. The bill, versions of which have been introduced in recent years, would eliminate the personal and corporate income tax, estate and gift tax, payroll (Social Security and Medicare) tax, and the Internal Revenue Service. It would replace them with a single national sales tax. Business investment is exempt, so it would be effectively a consumption tax. Households would get a tax-rebate check each month, adjusted for family size and income, so that purchases up to the poverty line are effectively not taxed.

Mainstream media and Democrats instantly deplored the measure. *Mother Jones* said it would “turbocharge inequality.” Representative Pramila Jayapal called it a “tax cut for the rich, period.” The *New Republic* asserted that consumption taxes are “always a dumb idea”—but presumably not in Europe,

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where 20 percent value-added taxes finance welfare states—and called it a “Republican dream to build a wealth aristocracy.”

Even the editorial board of the *Wall Street Journal* disapproved, though mostly on politics rather than substance, admitting a consumption tax “might make sense” if Congress were “writing the tax code from scratch.” The board worried that we might end up with both national income and sales taxes, like Europe. And the tax change won’t pass, making it a “masochistic vote” that will “give Democrats a potent campaign issue.”

But our income and estate tax system is broken. It has high statutory rates with a Swiss cheese of exemptions, immense cost, unfairness, and distortion. Former president Donald Trump’s taxes are exhibit A, no longer making headlines because we learned that he simply aggressively exploits the complex rules and deductions that Congress offers to wealthy, politically connected real-estate investors.

A consumption tax, with none of the absurd complexity of our current taxes, is the solution. It funds the government with the least economic distortion. A consumption tax need not be regressive. It’s easy enough to exempt the first few thousand dollars of consumption, or add to the rebate.

More important, it’s the progressivity of a whole tax-and-transfer system that matters, not of a particular tax in isolation. If a flat consumption tax

finances greater benefits to people of lesser means, the overall system could be more progressive than what we have now. A consumption tax would

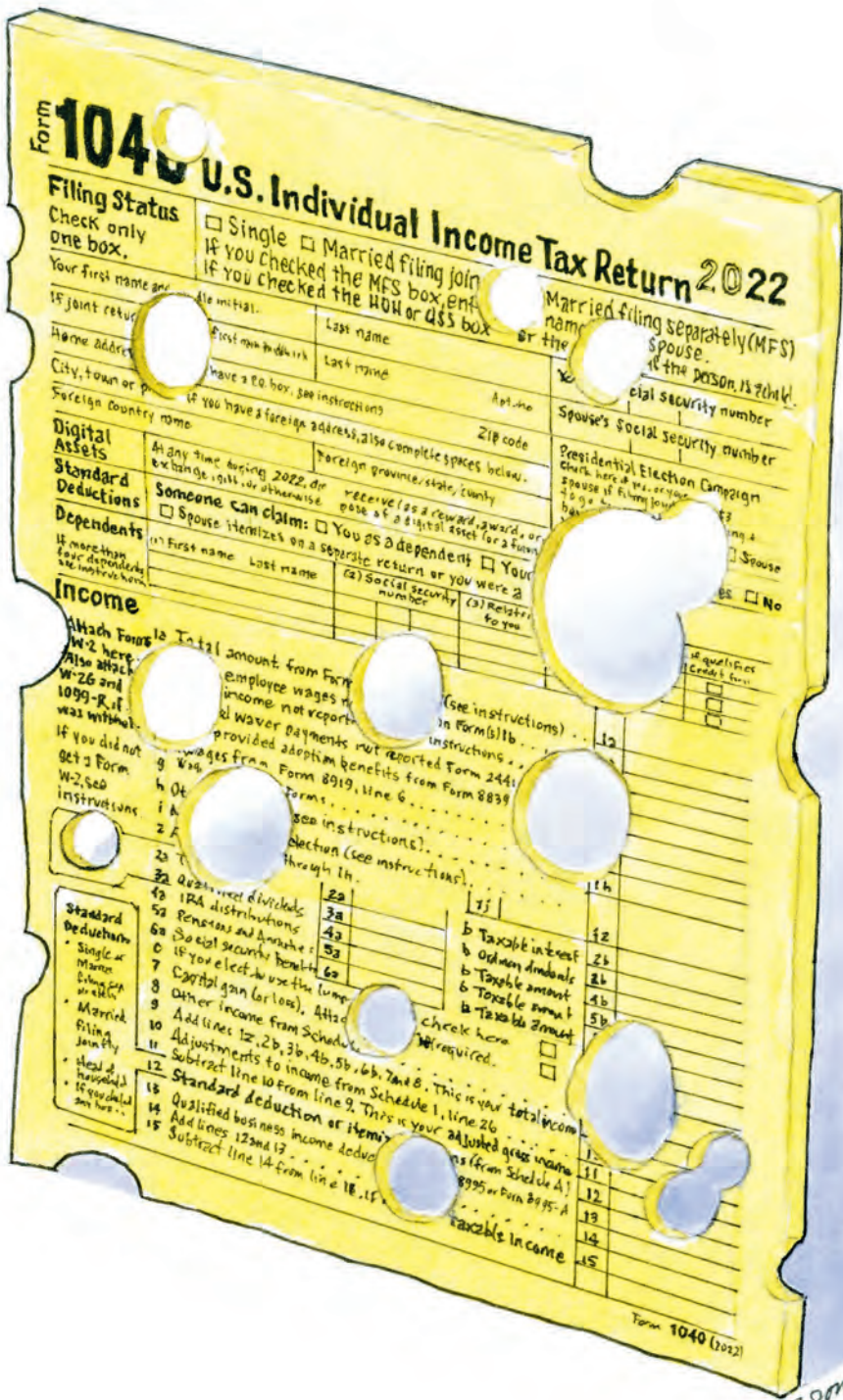
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***The Fair Tax bill addresses many objections and real-world concerns, and more refinements can follow.***

still finance food stamps, housing, Medicaid, and so forth. And it would be particularly efficient at raising revenue, meaning there would potentially be more to distribute—a point that has led some conservatives to object to a consumption tax.

Others complain that the rate will be high. An effective 30 percent consumption tax, added to state sales taxes as high as 10 percent, could add up to a 40 percent or greater rate. But taxes overall must finance what the government spends. Collecting money in one tax rather than lots of smaller taxes doesn’t change the overall rate. It’s better for voters to see how much the government takes.

A range of implicit subsidies would disappear. Good. Subsidies should be transparent. Money for electric cars, health insurance, housing, and so forth should be appropriated and sent as checks, not hidden as tax deductions or



[Taylor Jones—for the Hoover Digest]



credits. They can still be as large as Congress and voters wish. However, it is vital to keep the tax at a flat rate and not try to redistribute income or subsidize industries by different tax rates.

Will there be some problems of compliance and evasion? Probably, but sales taxes or value-added taxes are hardly new, untested ideas. The Fair-Tax bill addresses many objections and real-world concerns, and more refinements can follow. A value-added tax or personal-consumption tax can achieve similar goals.

Consumption taxes have been debated for a long time in academic articles, books, think tank reports, administration white papers, and so forth. When

the United States eventually decides to reform the tax code, consumption taxes will be the obvious answer. It is encouraging that real elected politicians like Representative

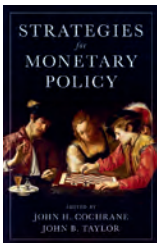
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***Taxes must finance what the government spends. Collecting one tax instead of lots of smaller ones doesn't change the overall rate.***

Carter get it and are willing to stick their necks out to try to get it passed.

No, it's not likely to pass this year, or next. All great reforms take time. The eight-hour workday and Social Security started as wild-eyed dreams of socialist parties. Civil rights took hold only after bill after bill was voted down. The income tax itself took a long time. But if we never talk about the promised land and only squabble over the next fork in the road, surely we will never get there. ■

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# *Inflation Won't Go Quietly*

**“Sometimes the market has to pay the cost of getting society to a better place.”**

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**By Anusha Chari and Peter Blair Henry**

**I**nvestors do not listen. Even amid the extreme market volatility of 2022, after the Federal Reserve had signaled that it would take a much more hawkish approach to fighting inflation, the financial markets continued to deny economic reality. Particularly in the United States, investors optimistically scanned Federal Reserve Chair Jerome Powell's public remarks for signs that the economy had endured enough pain to bring inflation back down to the Fed's 2 percent target. Over and over, they were disappointed.

On December 13, 2022, reports of cooling inflation were greeted with euphoria by the markets. But the very next day, amid volatile trading and falling stock prices, the Fed affirmed its commitment to tightening US monetary policy and announced its unanimous vote to raise interest rates by half a percentage point. This increase was less aggressive than previous hikes, but

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markets nonetheless registered clear disappointment with Powell's statement that higher interest rates would be necessary for some time and that additional increases were likely.

There was nothing surprising about Powell's statement. What Wall Street traders seem not to understand about the Fed's drive to defeat inflation can be gleaned from mountains of data from the markets themselves—specifically, the stock markets of emerging and developing economies. These markets have had to contend with past efforts to defeat inflation, and their performance over much of the second half of the twentieth century suggests what investors seem unwilling to hear: that more pain is on the horizon.

## HISTORY

When drawing historical parallels to the current battle against inflation, analysts have most frequently looked to the actions taken by former Fed chair Paul Volcker in response to the high inflation of the 1970s and early 1980s. To achieve disinflation, Volcker twice pushed the country into recession between 1979 and 1982, driving unemployment above 10 percent before finally succeeding in bringing inflation down to the low single-digit levels that the United States enjoyed for almost the next forty years. Today's investors and market-watchers would prefer to dismiss this dismal parallel, hoping that this time around, things will be different.

But Volcker's painful, protracted struggle against double-digit inflation was not unusual. In fact, it was the norm—part of a wider, recurring phenomenon, as nations across the developing world struggled to reduce inflation and enact other economic reforms to address the so-called Third World debt crisis. This crisis, which began in 1982, saw Mexico and more than a dozen other countries declare that they could no longer afford to service their debts. To tame inflation and get their economies back on track, they were forced to raise interest rates, trim their fiscal deficits, and implement certain reforms proposed by then-secretary of the treasury James Baker at the 1985 International Monetary Fund and World Bank meetings.

It is tempting to dismiss developing countries' economies as too dissimilar to the United States' dollar-driven advanced economy to provide a useful comparison. Argentina, for instance, faced recurrent bouts of triple-digit inflation from the 1970s through the 1990s and is once again facing high inflation—94.8 percent in 2022. But most developing nations are not Argentina. In fact, there were more attempts to reduce moderate double-digit inflation—fifty-six attempts spread across sixteen developing countries between 1973 and 1994—than attempts to reduce high inflation. The median level of





***PATIENCE: Former Federal Reserve chair Paul Volcker twice pushed the United States into recession between 1979 and 1982 while successfully battling inflation. In the broader world, countries that have had the discipline to stay the disinflation course have seen significant improvement in their long-run economic performance.*** [Edmond J. Safra Center for Ethics]

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annual inflation during those episodes, 15 percent, was similar to peak inflation in the United Kingdom, the United States, and the European Union in 2022.

The current bouts of inflation in these three economies, and the earlier episodes of inflation in emerging markets, have parallel origins: large, spending-driven fiscal deficits. Further similarities include a context of foreign wars, oil-price spikes, and other shocks. Moreover, because the developing countries in question had publicly traded equity markets—another similarity to today’s advanced economies—the historical performance of their stock markets contains useful hints about what the future may hold for the United States. The fifty-six attempts to reduce moderate inflation in developing countries between 1973 and 1994 say more about the current economic moment than the single Volcker disinflation episode.

Disinflation policies bring the short-run pain of rising interest rates and falling earnings that economies must endure to reap the long-run gains

that come from low inflation. Unlike lagging indicators such as growth and unemployment—both of which may suffer greatly in the short run as a result of policies to reduce inflation but can be measured only after the fact—the stock market is forward looking, a leading indicator of the future. If the expected long-run benefits of low inflation to publicly traded corporations outweigh the short-run costs of disinflation policies, then investors should drive up the value of a country’s aggregate share-price index when government officials announce the start of a credible disinflation program.

But that is not what happened in developing countries. Although the benefits to corporations of low inflation are substantial, bringing a more stable

planning environment with attendant productivity gains and more predictable earnings, developing countries’ stock markets

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***Important as it is, the stock market is not the economy.***

did not respond positively to announcements of disinflation programs. To the contrary, they reacted with an average cumulative return across the fifty-six programs of negative 24 percent, indicating that greater economic pain was necessary to reduce double-digit inflation to the single digits.

Given the recent volatility in US financial markets, changes in stock prices might not seem like the most reliable indicator of the broader economy. As the MIT economist Paul Samuelson joked, the “stock market has predicted nine of the last five recessions.” But even Robert Shiller, who won a Nobel Prize for his skepticism of the informational content of stock prices, has argued that “some substantial fraction of the volatility in financial markets is probably justified by news about future dividends or earnings.” The announcement of a credible disinflation program would certainly contain such news and lead to a market reaction.

## **DISCIPLINE**

If the expected benefit to corporations of reducing moderate inflation does not in fact outweigh the cost of doing so, as the historical performance of emerging-market stock indexes suggests, then why even try? There are two answers to this question.

First, the alternative is worse. Data from emerging economies demonstrate that moderate inflation typically does not stay moderate but tends to rise, becoming increasingly disruptive to productive economic activity and eroding the purchasing power of ordinary people.

Second, important as it is, the stock market is not the economy. The history of disinflation-induced drops in emerging-market equity prices shows that sometimes the market has to pay the cost of getting society to a better place. There is no low-cost way of going from moderate inflation, where the United States started in July 2022, to low inflation. US markets have been ignoring a simple reality: there is no painless way to restore price stability. Volcker knew this. Powell knows it, too. In response to the suggestion that the Fed could raise its target for inflation above 2 percent, he stood firm. “We’re not going to consider that under any circumstances,” he said in December. “It will take substantially more evidence to have confidence that inflation is on a sustained downward path.”

The journey from moderate to low inflation can take years, as Chile’s experience shows. After a decade of little progress toward achieving stable prices, in September 1990—with annual inflation in excess of 20 percent—the country’s central bank announced that it would adopt an official target for annual inflation and tighten monetary policy

as necessary to achieve it. The first target, set for the period December 1990 to December 1991, was 15 to 20 percent, with the central bank

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***Moderate inflation typically doesn’t stay moderate. It tends to rise, increasingly disrupting productive activity and eroding purchasing power.***

reducing the annual target by 1.5 percentage points each year from 1991 to 2001. By publicly articulating an explicit goal and putting its credibility at stake, Chile’s central bank was able to reduce inflation to 8.2 percent by 1995 and keep it in the single digits through 2021.

In the broader developing world, despite the drops in stock market valuations after the announcement of disinflation programs, countries that had the discipline to stay the course saw significant improvement in their long-run economic performance. In the ten years after these countries’ successful transition from moderate to low inflation, their average annual growth rate was almost 1.5 percent higher than in the previous ten-year period.

Countries that capitalized on their new low-inflation environment to implement additional reforms experienced an even more rapid economic turnaround. For example, nations that opened up their economies to free trade (many of which were in Africa) saw their ten-year average annual growth rate accelerate from 1.72 percent to 4.38 percent—an increase so large as to

more than halve the time it takes to double the typical citizen's standard of living.

It is hard to argue with this kind of growth—growth that in the aftermath of the 2007–8 global financial crisis powered the world's economy. Despite the short-run pain of recession and unemployment, reducing inflation to low, stable, and predictable levels is absolutely necessary for countries to achieve sustainable long-run growth. There are no counterexamples.

## **PATIENCE**

US inflation numbers are moving in the right direction, but they remain above the 2 percent target that the Fed must hit to restore price stability and maintain its credibility. Even though further rate increases could mean additional US market drops, Federal Reserve officials would do well to remember the lessons of the past. And once the Fed finally hits its target, US lawmakers must then implement the economic policies required to boost productivity and make the most of renewed price stability. ■

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# *On Reshaping Central Banks*

**Central bankers have two essential jobs—and they need the freedom to do both.**

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**By Raghuram G. Rajan**

**C**entral bankers of industrialized countries have fallen tremendously in the public's estimation. Not long ago they were heroes, supporting feeble growth with unconventional monetary policies, promoting the hiring of minorities by allowing the labor market to run a little hot, and even trying to hold back climate change, all the while berating paralyzed legislatures for not doing more. Now they stand accused of botching their most basic task, keeping inflation low and stable. Politicians, sniffing blood and mistrustful of unelected power, want to re-examine central bank mandates.

Did central banks get it all wrong? If so, what should they do?

## **HURDLES FOR THE BANKS**

I'll start first with why central banks should be cut some slack. Hindsight is, of course, 20/20. The coronavirus pandemic was unprecedented, and its consequences for the globalized economy very hard to predict. The fiscal response, perhaps much more generous because polarized legislatures could not agree on whom to exclude, was not easy to forecast. Few thought

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2%  
INFLATION  
GOAL  
stable  
employment

Vladimir Putin  
would go to war  
in February  
2022, disrupt-  
ing supply  
chains further  
and sending  
energy and  
food prices  
skyrocket-  
ing.

COVID  
RELIEF

[Taylor Jones—for the Hoover Digest]



Undoubtedly, central bankers were slow to react to growing signs of inflation. In part, they believed they were still in the post-2008 financial crisis regime, when every price spike, even of oil, barely affected the overall price level. In an attempt to boost excessively low inflation, the Federal Reserve even changed its framework during the pandemic,



announcing it would be less reactive to anticipated inflation and keep policies more accommodative for longer. This framework was appropriate for an era of structurally low demand and weak inflation, but exactly the wrong one to espouse just as inflation was about to take off and every price increase fueled another. But who knew the times were a-changing?

Even with perfect foresight, central bankers—who are in reality no better informed than capable market players—might still have been understandably behind the curve. A central bank cools inflation by slowing economic growth. Its policies have to be seen as reasonable, or else it loses its independence.

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***Central banks can claim they were surprised by recent events, but they played a role in constraining their own policy space.***

With governments having spent trillions to support their economies, employment just recovered from terrible lows, and inflation barely noticeable for over a decade, only a foolhardy

central banker would have raised rates to disrupt growth if the public did not yet see inflation as a danger. Put differently, pre-emptive rate rises that slowed growth would have lacked public legitimacy—especially if they were successful and inflation did not rise subsequently, and even more so if they deflated the frothy financial asset prices that gave the public a sense of well-being. Central banks needed the public to see higher inflation to be able to take strong measures against it.

In sum, central bank hands were tied in different ways—by recent history and their beliefs, by the frameworks they had adopted to combat low inflation, and by the politics of the moment, with each of these factors influencing the others.

## **CONSEQUENCES**

Yet stopping the postmortem at this point is probably overly generous to central banks. After all, their past actions reduced their room to maneuver, and not only for the reasons just outlined. Take the emergence of both fiscal dominance (whereby the central bank acts to accommodate the government's fiscal spending) and financial dominance (whereby the central bank acquiesces to the imperatives of the market). They clearly are not unrelated to central bank actions of the past few years.

Long periods of low interest rates and high liquidity prompt an increase in asset prices and associated leveraging. And both the government and the private sector leveraged up. Of course, the pandemic and Putin's war pushed

up government spending. But so did ultralow long-term interest rates and a bond market anesthetized by central bank actions such as quantitative easing. Indeed, there was a case for targeted government spending financed by issuing long-term debt. Yet sensible economists making the case for spending did not caveat their recommendations enough, and fractured politics ensured that the only spending that could be legislated had something for everyone. Politicians, as always, drew on unsound but convenient theories (think modern monetary theory) that gave them license for unbridled spending.

Central banks compounded the problem by buying government debt financed by overnight reserves, thus shortening the maturity of the financing of the government and central bank's consolidated balance sheets. This means that as interest rates rise, government finances—especially for slow-growing countries with significant debt—are likely to become more problematic. Fiscal considerations already weigh on the policies of some central banks—for instance, the European Central Bank worries about the effect of its monetary actions

on “fragmentation,” the yields of fiscally weaker countries' debt blowing out relative to those of stronger countries. At the very least, perhaps

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***A central bank cools inflation by slowing economic growth. Its policies have to be seen as reasonable, or else it loses its independence.***

central banks should have recognized the changing nature of politics that made unbridled spending more likely in response to shocks, even if they did not anticipate the shocks. This may have made them more concerned about suppressing long rates and espousing low-for-long policy rates.

The private sector also leveraged up, both at the household level (think Australia, Canada, and Sweden) and at the corporate level. But there is another new, largely overlooked, concern: liquidity dependence. As the Fed pumped out reserves during quantitative easing, commercial banks financed the reserves largely with wholesale demand deposits, effectively shortening the maturity of their liabilities. In addition, in order to generate fees from the large volume of low-return reserves sitting on their balance sheets, they wrote all sorts of liquidity promises to the private sector—committed lines of credit, margin support for speculative positions, and so on.

The problem is that as the central bank shrinks its balance sheet, it is hard for commercial banks to unwind these promises quickly. The private sector becomes much more dependent on the central bank for continued liquidity. We had a first glimpse of this in the UK pension turmoil in October 2022,

which was defused by a mix of central bank intervention and government backtracking on its extravagant spending plans. The episode did suggest, however, a liquidity-dependent private sector that could potentially affect the central bank's plans to shrink its balance sheet to reduce monetary accommodation.

And finally, high asset prices raise the specter of asymmetric central bank action—the central bank being quicker to be accommodative as activity slows or asset prices fall but more reluctant to raise rates as asset prices bubble up, pulling activity along with them. Indeed, in a 2002 speech at the Kansas City Federal Reserve Bank's Jackson Hole conference, Alan Greenspan argued that while the Fed could not recognize or prevent asset price booms, it could “mitigate the fallout when it occurs and, hopefully, ease the transition to the next expansion,” thus making asymmetry a canon of Fed policy.

High asset prices, high private leverage, and liquidity dependence suggest that the central bank could face financial dominance—monetary policy that responds to financial developments in the private sector rather than to inflation. Regardless of whether the Fed intends to be dominated, current

private sector forecasts that it will be forced to cut policy rates quickly have made its task of removing monetary accommodation more difficult. It will

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***Central banks needed the public to see higher inflation to be able to take strong measures against it.***

have to be harsher for longer than it would want to be, absent these private sector expectations. And that means worse consequences for global activity. It also means that when asset prices reach their new equilibrium, households, pension funds, and insurance companies will all have experienced significant losses—and these are often not the entities that benefited from the rise. Bureaucrat-managed state pension funds, the unsophisticated, and the relatively poor get drawn in at the tail end of an asset price boom, with problematic distributional consequences for which the central bank bears some responsibility.

One area in which reserve country central bank policy has consequences but their central bankers little responsibility is the external spillovers of their policies. Clearly, the policies of the core reserve countries affect the periphery through capital flows and exchange rate movements. The periphery central bank must react regardless of whether its policy actions are suitable for domestic conditions—if not, the periphery country suffers longer-term



consequences such as asset price booms, excessive borrowing, and eventually debt distress. I will return to this issue in the conclusion.

In sum, then, while central banks can claim they were surprised by recent events, they played a role in constraining their own policy space. With their asymmetric and unconventional policies, ostensibly intended to deal with the policy rate touching the lower bound, they have triggered a variety of imbalances that not only make fighting inflation harder but also make it difficult to exit the prevalent policy mix, even as the inflation regime has changed to one of substantially higher inflation. Central banks are not the innocent bystanders they are sometimes made out to be.

## **FINDING A FRAMEWORK**

So what happens now? Central bankers know the battle against high inflation well and have the tools to combat it. They should be free to do their job.

But when central banks succeed in bringing inflation down, we will probably return to a low-growth world. It is hard to see what would offset the headwinds of aging populations; a slowing China; and a suspicious, militarizing, deglobalizing world. That low-growth and possibly low-inflation world is one central bankers understand less well. The tools central bankers used after the financial crisis, such as quantitative easing, were not particularly effective in enhancing growth. Furthermore, aggressive central bank actions could precipitate more fiscal and financial dominance.

So when all settles back down, what should central bank mandates look like? Central banks are not the obvious institutions to combat climate change or promote inclusion. Often they have no mandate to tackle these issues. Instead of usurping mandates in politically charged areas, it is best that central banks wait for a mandate from the elected representatives of the people. But is it wise to give central banks mandates in these areas? First, central bank tools have limited effectiveness in areas like combating climate change or inequality. Second, could new responsibilities influence their effectiveness in achieving their primary mandate(s)? For instance, could the new Fed framework requiring it to pay attention to inclusion have held back rate increases—since disadvantaged minorities are usually, and unfortunately, the last to be hired in an expansion? Finally, could these new mandates expose the central bank to a whole new set of political pressures and prompt new forms of central bank adventurism?

All this is not to say that central banks should not worry about the consequences of climate change or inequality for their explicit mandate(s). They could even follow the express instructions of elected representatives in some

matters (for instance, buying green bonds instead of brown bonds when intervening in markets), though this opens them up to the risk of external micromanagement. However, the task of directly combating climate change or inequality is best left to the government, not the central bank.

But what about their mandate and their frameworks for price stability? The earlier discussion suggested a fundamental contradiction central banks face. Hitherto, there was a sense that they needed one framework—for instance, an inflation-targeting framework that commits them to keeping inflation within a band or symmetrically around a target. Yet, as Bank for International Settlements (BIS) general manager Agustín Carstens argues, a low-inflation regime can be very different from a high-inflation regime.

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***When central banks succeed in bringing inflation down, we will probably return to a low-growth world.***

Depending on the regime they are in, their framework may need to change. In a low-inflation regime, in which inflation does not budge from low levels no

matter the price shock, they may need to commit to being more tolerant of inflation in the future in order to raise inflation today. Put differently, as Paul Krugman argued, they have to commit to being rationally irresponsible. This means adopting policies and frameworks that effectively bind their hands, committing them to stay accommodative for long. But as argued above, this may precipitate regime change, for instance, by loosening perceived fiscal constraints.

Conversely, in a high-inflation regime, where every price shock propels another, central banks need a strong commitment to eradicating inflation as early as possible, following the mantra “when you stare inflation in the eyeballs, it is too late.” The framework-induced commitment for inflation tolerance needed for the low-inflation regime is thus incompatible with the one needed for the high-inflation regime. But central banks cannot simply shift based on regime because they lose the power of commitment. They may have to choose a framework for all regimes.

## **CHOOSING FRAMEWORKS**

If so, the balance of risks suggests that central banks should re-emphasize their mandate to combat high inflation, using standard tools such as interest rate policy. What if inflation is too low? Perhaps, as with COVID-19, we should learn to live with it and avoid tools like quantitative easing that have questionably positive effects on real activity; distort credit, asset

prices, and liquidity; and are hard to exit. Arguably, so long as low inflation does not collapse into a deflationary spiral, central banks should not fret excessively about it. Decades of low inflation are not what slowed Japan's growth and labor productivity. Aging and a shrinking labor force are more to blame.

It is not good to complicate central bank mandates, but they may need a stronger mandate to help maintain financial stability. For one, a financial crisis tends to bring on the excessively low inflation that central banks find hard to combat. Second, the ways they typically tackle an extended period of too-low inflation, as we have seen, fuel higher asset prices and consequently leverage and further possible financial instability.

Unfortunately, even though monetary theorists argue that it is best to deal with financial stability through macroprudential supervision, that has proved less than effective thus far—as evidenced by house price booms in key economies. Furthermore, macroprudential policies may have little impact in areas of the financial system

that are new or distant from banks, as evidenced by the crypto and meme stock bubbles and their bursting. While we do need better coverage of the financial system, especially the nonbank shadow financial system, with macroprudential regulation, we should also remember that monetary policy, in Jeremy Stein's words, "gets into all the cracks." Perhaps, then, with such power should come some responsibility!

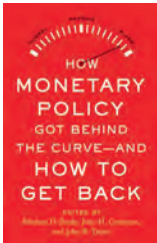
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***Central banks are not the obvious institutions to combat climate change or promote inclusion. In fact, could such mandates expose them to a whole new set of political pressures?***

What about responsibilities for the external consequences of their policies? Interestingly, central banks that are more focused on domestic financial stability will likely adopt monetary policies that have fewer spillovers. Nevertheless, central bankers and academics should start a dialogue on spillovers. A largely apolitical dialogue can begin at the BIS in Basel, where central bankers meet regularly. Eventually the dialogue can move to the IMF, involving government representatives and more countries, to discuss how central bank mandates should change in an integrated world. Pending such dialogue and a political consensus on mandates, though, it may be enough to refocus central banks on the primary mandate of combating high inflation while respecting the secondary mandate of maintaining financial stability.

Will these twin mandates condemn the world to low growth? No, but they will place the onus for fostering growth back on the private sector and governments, where it belongs. More focused and less interventionist central banks would probably deliver better outcomes than the high-inflation, high-leverage, low-growth world we now find ourselves in. For central banks, less may indeed be more. ■

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# Creeping “State Capitalism”

**Our commercial republic fosters liberty, security, and economic growth. Why it must be defended—from right and left alike.**

**By Peter Berkowitz**

**T**he left once possessed a near-monopoly on the critique of economic freedom. The bourgeoisie exploited the proletariat, according to Karl Marx’s classic condemnation, and the profit motive degraded property owners even as labor produced little for the laborer but physical misery and spiritual alienation. Few on today’s left advance Marx’s full-blown attack on capitalism. But from out-and-out socialists to pragmatic progressives, the contemporary left typically makes a political priority of harnessing state power to manage the economy and redistribute resources as dictated by progressive interpretations of social justice.

## **Key points**

- » “National conservatives” and “common-good conservatives” offer many reasons for seeking to curb economic freedom.
- » Free markets, however, not only foster opportunity and growth but also sustain civil society and human flourishing.
- » Ultimately, free market principles offer a broad base for uniting conservatives.

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These days, influential voices on the “new right” are mounting their own harsh criticisms of free trade while advocating greater government intervention in the domestic economy. Conservative discontent with the free market, however, is not new. Traditionalist Russell Kirk in *The Conservative Mind* (1953) and neoconservative Irving Kristol in *Two Cheers for Capitalism* (1978) highlighted the tension between preserving tradition and the innovation, mobility, and disruption of settled practices spurred by free markets. New, though, is the public-policy prominence that today’s “national conservatives” and “common-good conservatives” give to curbing economic freedom. By expanding the state’s role in supervising economic affairs, they hope to assist sectors and communities hit hardest by globalization, protect families from the market’s vagaries, fortify morality, and promote Christianity.

## **TECHNOCRATS ALWAYS FALL SHORT**

According to Samuel Gregg, progressive and conservative critics alike have failed to consider the facts in their fullness and to take into account the public interest in relation to constitutional principles and twenty-first-century exigencies. In *The Next American Economy: Nation, State, and Markets in an Uncertain World*, Gregg exposes the weaknesses of the arguments against free markets. He reconstructs the classical case for economic freedom built around property rights, limited government, rule of law, entrepreneurship, competition, and free trade. He demonstrates that free markets not only foster opportunity and growth but also sustain civil society and human flourishing. And he argues that American constitutional government and the nation’s interest in security, individual liberty, and prosperity are best served by rededication to the commercial spirit inscribed in the nation’s founding.

A fellow at the American Institute for Economic Research and at the Acton Institute and a prolific contributor to public debate, Gregg excels at the fading but indispensable discipline of political economy. Rejecting the artificial boundaries of academic discourse, his book examines economic questions as they arise in real life—enmeshed with history, morality, political ideas and institutions, and foreign affairs. In contrast to academic social science, which often lacks relevance to—and occasionally takes pride in its remoteness from—public policy, political economy aims to contribute to the nation’s preservation and improvement. The crucial practical question concerning the US economy at present, Gregg maintains, is whether to continue down the road to “state capitalism” or recover the nation’s free market traditions.

By state capitalism, Gregg means “an economy in which the government, often with the aid of experts and technocrats and sometimes in partnership

with different interest groups, engages in extensive interventions into the economy from the top down.” State capitalism disavows radicalism: “The goal is not to extinguish private property and free exchange,” Gregg emphasizes. “Rather it is to shape and even direct many activities within the economy through state action

to realize very specific economic and political objectives.” Notwithstanding its professed restraint, he contends, state capitalism diminishes citizens’ freedom

to plan their lives, care for their families, and maintain their communities. It also weakens the growth on which the next generation’s opportunities and a robust national defense depend.

The best-known form of government intervention in the US economy is protectionism. Once a pet project of pro-labor Democrats, it has become popular on the new right as well. Protectionism imposes duties on, or limits, specific classes of imports while subsidizing select domestic industries. The purpose is to shield established American businesses, especially manufacturing, from foreign competition; foster new industries; and safeguard workers’ wages.

Gregg’s review of the historical record, however, reveals that protectionism “does not serve the common good of Americans as consumers, as workers, or as a nation.” For example, contrary to the oft-repeated claim that protectionism played a major role in the country’s development into an economic superpower, America emerged in the late nineteenth century as the world’s largest economy despite protectionist policies. The nation’s prosperity, Gregg writes, “was driven primarily by population growth, capital accumulation, and entrepreneurship.” Moreover, “productivity growth was more rapid in those sectors of the nineteenth-century US economy whose performance was not directly connected to the tariff.”

Over the short term, protectionism may benefit certain groups and sectors. But, argues Gregg, it raises costs for consumers and businesses while diverting resources and labor from their most productive employment, leaving the nation as a whole worse off over the intermediate and long term.

A second form of government intervention—also embraced by the new right—is industrial policy. This involves state investment in, and management of, specific businesses and industries. The principal problem, argues Gregg, is the presumption undergirding industrial policy “that political leaders, civil

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***Influential voices on the “new right” are criticizing free trade and advocating greater government intervention in the domestic economy.***

servants, and technocrats possess the knowledge to comprehend all the technical details, possible methods of production, the range of incentives, actual and future prices, unintended consequences, and alternative uses of resources (to name just a few sets of information) that they would need to decide accurately the most optimal allocation of resources and course of action.”

Indeed, industrial policy has a bad track record. Proponents cite China’s tremendous growth over the past forty years, Japan’s meteoric rise from the 1960s to the early 1990s, and America’s own history of industrial policy going as far back as the 1790s, when then–secretary of the treasury Alexander Hamilton supported the Society for Establishing Useful Manufactures. The data, Gregg contends, tell a different story. In these supposedly textbook examples, industrial policy’s impact has at best been exaggerated. Often, it has impeded growth.

Gregg offers six reasons why industrial policy is unlikely to yield better results now:

- » Government officials lack the experience and training to identify and assess opportunity costs.
- » State bureaucrats do not learn from their investment errors because they do not bear the costs of their poor decisions.
- » Government decision makers are highly vulnerable to capture by political interests.
- » Industrial policy generates market inefficiencies by distorting price signals to businesses.
- » Government intervention presupposes market failure while overlooking the detrimental effects of government action such as high tax rates and excessive regulation.
- » The benefits of industrial policy are hard to measure because a variety of factors contribute to economic growth.

## **“STAKEHOLDER” CONFUSION**

“Stakeholder capitalism” is the name for a third justification for government intervention. The official and long-standing view of most CEOs and corporate boards has been that a company should deliver value understood in terms of profit and growth for shareholders. According to the new fashion, companies should yield value for stakeholders, that is, all those affected by the business. Stakeholders include not only shareholders who have bought a portion of the enterprise but also customers, employees, suppliers, local neighborhoods and communities, and, in principle, other nations and ultimately all the planet’s inhabitants. Stakeholder capitalism, moreover, generally redefines *value* to

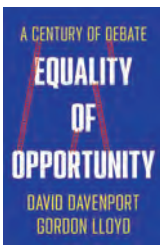
encompass the progressive agenda, not least diversity, equity, and inclusion imperatives that reorganize the workplace based on race, ethnicity, and gender.

Gregg points out that well-managed and prudent companies already understand their interest in treating employees and business associates with respect, giving back to communities, and shouldering civic responsibilities. It is another matter, however, to insist that companies subordinate the pursuit of shareholders' value to the advancement of a partisan political agenda imputed to an indefinite and globe-spanning class of stakeholders. Stakeholder capitalism, in Gregg's view, impairs businesses' signal contribution to the public interest, which is to provide desirable and affordable goods and services while offering a reasonable return on investment.

In restoring appreciation for entrepreneurship, competition, and free trade, Gregg underscores that free enterprise, too, has costs as well as benefits. He recognizes the selfishness and hedonism that capitalism stirs as well as the creativity, discipline, and responsibility that it encourages. He underscores the importance of targeted regulation; the propriety of measures to assist the poor, the sick, the unemployed, and the elderly; and the priority of national security considerations. While inevitable and sometimes salutary, restrictions on freedom, he stresses, should always be made within the framework of—not against—free market principles.

A commercial republic coheres with America's constitutional commitments to individual liberty, limited government, and equality under law and fortifies the nation's security, freedom, and prosperity. Accordingly, free market principles offer a broad base for uniting conservatives. If they play their cards well in the defense of economic freedom, conservatives may also attract independents and perhaps even independent-minded progressives. ■

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# *Putin's Luck Has Finally Run Out*

**Ever since coming to power, the Russian leader has been drawing winning cards. Invading Ukraine broke his winning streak—but it will be the Russian people, not Putin himself, who have to pay up.**

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**By Michael McFaul**

Vladimir Putin was very lucky early in his political career. In a matter of months and with barely any political experience, he went from being an unknown, midlevel Kremlin official to president of the largest country on the map. Putin would like the world to believe that there was a groundswell of popular support for his presidency, his ideas, and his way of ruling Russia. But in reality, Russian President Boris Yeltsin and his inner circle plucked Putin from obscurity in 1999 and presented him to voters, who ratified Yeltsin's choice in the 2000 election. Putin was simply at the right place at the right time.

Putin initially did little to change Yeltsin's pro-market, pro-Western course. That came later. But from the outset, some observers of Russian politics, including myself, were nervous about his antidemocratic and anti-Western proclivities. The *Washington Post* published my first article about Putin—"Indifferent to Democracy"—on March 3, 2000, a few weeks before he was

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elected on March 26. Over time, Putin's initial moves against democratic institutions mutated into an extremely repressive dictatorship. Yet even longtime critics like me have to acknowledge that Putin's regime was resilient, neutralizing critical voices and nurturing popular support just enough to remain intact for more than two decades.

Putin's luck ran out in 2022. By launching a full-scale, barbaric invasion of Ukraine early last year, Putin has caused horrific bloodshed and suffering in Ukraine, hurting the very "brothers and sisters" he supposedly seeks to "protect" while also failing to achieve most of his war aims. But Putin's war in Ukraine has also triggered deep damage to his own country, especially to Russia's armed forces, the economy, society, and, in the long run, his own regime. Ironically, Putin's destruction of democracy in Russia decades ago created the conditions for this disastrous decision in 2022—a decision that may eventually unravel the very autocracy that he constructed and has been consolidating for so long.

## **LUCKY BREAKS**

As the Soviet Union began to unravel in the early 1990s, Putin did not join the Communists and nationalists who were fighting to preserve the Soviet empire. Instead, like many other opportunists from the KGB at that time, he joined the democrats who were trying to accelerate its destruction. In his first government job after returning from spy work in East Germany, Putin handled foreign relations for the pro-democratic, Western-leaning mayor of St. Petersburg, Anatoly Sobchak. When Sobchak was voted out of office in a relatively free and fair election in 1996—yes, they had those in Russia in the 1990s—Putin called on his St. Petersburg liberal economic reformer friends working for Yeltsin to seek employment in the Kremlin. Putin held a series of midlevel positions in the Yeltsin administration, eventually moving up to become head of the FSB, the KGB's main successor organization. At the time, Putin was a bureaucrat. He was neither a political figure nor a revolutionary.

A series of unexpected events radically altered his career path. As Yeltsin served out his second term, he initially chose as his successor the charismatic, principled, and effective politician Boris Nemtsov—not Putin. Nemtsov was a popular and successful governor of Nizhny Novgorod who had won re-election in 1995 during a time of deep economic depression in the region. In 1997, Yeltsin invited Nemtsov to serve as first deputy prime minister, a stepping stone to becoming the Kremlin-backed candidate in the 2000 presidential race. But a global financial crisis hit Russia hard in August 1998, forcing out Nemtsov and his government. Again, Russia was functioning as a



***PROMISES, PROMISES: Vladimir Putin, left, takes the presidential oath of office in Moscow on May 7, 2000, as former president Boris Yeltsin stands in the background. Putin told his audience that “we want our Russia to be free, prosperous, rich, strong, a civilized country, a country that prides itself on its citizens and which is respected in the world.”*** [Russian Presidential Press and Information Office]

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democracy at that time, and the parliament compelled Yeltsin to appoint the Communist-backed Yevgeny Primakov as prime minister.

Overnight, Primakov became a strong presidential contender, to the horror of Yeltsin and his entourage. So they devised an elaborate plan to replace Primakov with Putin as prime minister in August 1999, make Putin acting

president in January 2000, and have him elected president in March 2000. Some have argued that this plan was turbocharged by a series of terrorist attacks, blamed on Chechens but allegedly carried out secretly by the Kremlin, followed by the second invasion of Chechnya, which Putin oversaw. This was Putin's first lucky chapter.

His second lucky chapter started with his ascension to the presidency in the spring of 2000. By that time, three extremely painful transitions taking place in the 1990s were finally ending—from the Soviet empire to the Russian Federation, from a command economy to a market economy, and from a dictatorship to democracy. As I wrote in a 2001 book, it was the democratic transition that seemed most fragile and incomplete when Putin took over. But the hard stuff on all three fronts of change seemed over, allowing a fresh start for Putin. Most important, Russia's decadelong economic depression—an economic downturn that all postcommunist countries, not just Russia, endured to varying degrees in the 1990s—was coming to an end, and Russia's economy was starting to grow.

Shortly after Putin came to power, energy prices began to soar—his third lucky break. Putin had nothing to do with rising global prices for oil and gas, or Yeltsin's market reforms in the 1990s, for that matter, but he most certainly benefited from both. During Putin's first two terms in office, the Russian economy took off, growing at an average of 7 percent a year from 1999 to 2008—"the most outstanding decade in modern Russian economic history," according to the Russian economist Sergei Guriev.

## **OPPORTUNIST**

These lucky circumstances made Putin popular. Economic growth in particular gave Putin the power and legitimacy to undermine democratic institutions constraining executive power. He first seized control of Russia's major television networks. After a horrendous terrorist attack in Beslan in September 2004, Putin rolled back the power of governors, dramatically weakening federalism. Over time, he also limited the autonomous power of political parties, civil society, and business elites—arresting Russia's richest person, Mikhail Khodorkovsky, in 2003, as a signal to other oligarchs to stay out of politics.

The strengthening of autocratic rule did not cause Russia's economic growth. On the contrary, a more open political system might have produced even higher rates of economic growth. But Putin made sure that such counterfactual analysis got no play in Russian society. Instead, his propagandists trumpeted Putin's strong hand as the cause of Russia's renewal.

By 2008, Putin was so confident in the stability and performance of his regime that he allowed his aide, Dmitri Medvedev, to replace him as president, so as not to violate the presidential term limits still in place. Voters ratified this decision in the presidential election that year, and Putin then assumed the position of prime minister. Medvedev aspired to be a political liberalizer at home and respected leader in the West. During his tenure as president, there was a slight opening of civic space—allowing, for instance, the independent television network TV Rain (Dozhd) to launch, and Alexei Navalny to found his Anti-Corruption Organization (FBK). Medvedev also cooperated with US President Barack Obama on several issues, some of which Putin supported, such as the New START Treaty, and others for which he showed less enthusiasm, such as joining the World Trade Organization.

In spring 2011, Medvedev crossed a red line of Putin's by agreeing not to veto a UN Security Council Resolution authorizing the use of force in Libya. Putin publicly denounced his own president for this decision, saying it effectively allowed the United States to pursue “a crusade in which somebody calls upon somebody to go to a certain place and liberate it.” A few months later, Putin announced that he would run for a third presidential term in March 2012.

Putin returned to the presidency in May 2012 as a much weaker and less popular leader than when he left in 2008. Economic growth had slowed. Public-opinion polls showed nominal support, but no real enthusiasm for having him back at the helm. But most damagingly, a parliamentary election marred by egregious fraud the previous December had triggered massive

anti-Putin protests—the biggest street demonstrations in Russia since 1991, the year the Soviet Union collapsed. Once he was back in the Kremlin, Putin

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### ***A series of unexpected events radically altered Vladimir Putin's career path.***

cracked down on these protesters and then over time on almost every person or group that was critical of his regime. The repression intensified after Putin's first intervention in Ukraine in 2014 and ramped up even more ahead of the full-scale invasion in 2022.

During this same period, Putin also increased state control over the economy, redistributed property to his cronies, and squashed Medvedev's minor economic initiatives, including, most importantly, Skolkovo—the Russian attempt to build a Silicon Valley outside Moscow.

Russia's prewar economy has often been likened to the era of *zastoi* (stagnation) under the two decades that Leonid Brezhnev was in power. It would

be inaccurate, however, to describe Putin's regime before the invasion of Ukraine in 2022 as unstable or Russia's economy as collapsing. Had Putin not launched his military adventure against Ukraine, his legacy for most Russians would probably have been a positive one. He could have been remembered as "Putin the Restorer," the Russian leader who renewed the economy and state, as well as Russia's standing in the world as a great power.

## ISOLATION AND MISCALCULATION

As Russia's political system became more autocratic, Putin became more isolated. Early in his career, Putin listened to his advisers, especially on economic matters. But as time went on, he became a lone wolf, operating in solitude most days from his Novo-Ogaryevo country estate. Before he became president in 2000, Putin knew very little about economics aside from running corruption schemes in St. Petersburg. So in the first years of his presidency, Putin leaned heavily on the talented pro-Western liberal economists from that city, many of whom he had worked with in the mayor's office. Herman Gref and Alexei

Kudrin both played a central role in Putin's inner circle, devising and then implementing radical liberal reforms—

a 13 percent individual flat tax, a significant corporate-tax reduction, and the like—as well as successful macroeconomic policies that helped to stimulate rapid economic growth.

Over time, however, Putin became convinced of his own genius and gradually stopped listening to subordinates. This often happens when an autocrat remains in power for more than two decades. When Putin made the decision to invade Ukraine for the first time in 2014, it is said that only his intelligence comrades were in the room. The COVID-19 pandemic that began in early 2020 increased his isolation.

By the time he began making plans for a full-scale invasion of Ukraine, Putin's circle of confidants had narrowed even further. Some reporting suggests that he relied heavily on an international division within the FSB to plan the operation, instead of using the SVR (the Russian equivalent of the CIA), the GRU (the Russian equivalent of the Defense Intelligence Agency), or the military. Given the dictator's KGB history, this is not surprising. But Putin had also cut himself off from society. So, he had no accurate

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***By 2000, the hard struggles of the post-Soviet era seemed over, allowing a fresh start for Putin.***

information about how the Russian people felt. There was no deliberative process. Putin alone decided to invade.

In early 2022, Putin also believed that he was on a roll regarding the use of force. By his count, Russia had won four wars in a row—Chechnya in 1999–2000, Georgia in 2008, Ukraine in 2014, and Syria in 2015. A year ago, he assumed that his military would achieve another quick victory in Ukraine against an allegedly weak Ukrainian army, a corrupt and unpopular regime, and a Russian-speaking segment of society waiting to be liberated. He grossly miscalculated.

The Western response to all these military interventions also had been

weak. After he invaded Georgia in 2008, US President George W. Bush did not implement any sanctions or provide any military assistance to Tbilisi. In 2014, after Putin annexed Crimea and mili-

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***When Putin returned to the presidency in May 2012, economic growth had slowed, and polls showed no enthusiasm for having him back. Then came the protests.***

tarily aided separatist movements in eastern Ukraine, President Obama and European leaders imposed modest sanctions but offered no military support to Kyiv. Putin was also allowed a free hand when he deployed his air force in Syria to prop up the dictator Bashar al-Assad. Putin assumed that the US and European response to his 2022 invasion would be similar. He was wrong again.

## **PUTIN WOUNDS RUSSIA**

The full-scale invasion of Ukraine in 2022 has been the most disastrous mistake of Putin's twenty-three-year rule. By invading Ukraine, Putin has lost Ukraine forever. Ukrainian society has overwhelmingly rallied to support their president, Volodymyr Zelensky, and pivoted firmly toward joining Europe.

But Putin also has inflicted deep wounds on his own country. The implications for the army, economy, society, and regime are many, and the costs will linger for years, if not decades. As Brezhnev did in Afghanistan, Putin overreached in Ukraine.

» ***Putin has destroyed his military.*** Before the invasion, Russia's military was considered one of the largest and most capable in the world (after only the United States' and China's). This perception deterred Russia's enemies—contrary to Putin's propaganda, no country or alliance in the world ever contemplated attacking Russia. Its nuclear arsenal and its supposedly highly skilled army helped Russia regain its status as a great power. This army



and status are now lost. According to US estimates, at least 200,000 Russian soldiers have died or been wounded on the battlefield in Ukraine so far. Russia has lost roughly ten thousand pieces of military equipment, including thousands of vehicles (tanks, infantry and armored fighting vehicles, and others), more than a hundred aircraft and helicopters, and more than two hundred command posts and communications stations. Russia will have to divert billions of dollars from things like education, infrastructure, and health care if its military is ever to reach its previous capacity.

Ukraine's warriors deserve the greatest credit for destroying Russia's fighting force and weaponry. But other factors, including Russian inefficiency and corruption, also played a role. As Zoltan Barany notes, the "Russian military is a quintessential reflection of the state that created it: Autocratic, security-obsessed, and teeming with hypercentralized decision making, dysfunctional relations between civilian and military authorities, inefficiency, corruption, and brutality." The failed military reforms that began in 2008 have also contributed to the Russian army's poor performance. Training and maintenance standards have improved for a few elite units since then, but they have not been standardized. The Russian army also failed to attract young talent from the labor market, making mandatory conscription even more unpopular.

» ***Putin's invasion of Ukraine is producing long-term harm for the Russian economy.*** In the early months of the war, Russia benefited from higher energy prices, driven by Europe's reliance on Russian oil and gas. Despite this short-term energy rush, however, the Russian economy is contracting. In 2022, it shrank somewhere between 2.2 percent and 3.9 percent (according to the IMF and OECD, respectively). Russian exports and imports also plummeted, with estimates varying between 13 percent and 21 percent. Inflation in Russia is soaring, reaching almost 14 percent last year.

Sanctions are already having an impact that will only continue to grow. Recent technology-export sanctions are exacting a heavy toll across the economy. Industries dependent on technology imports, such as car manufacturing, are suffering and will take years to recover. Without the necessary materials to make new automobiles, for example, Russian car sales dropped 59 percent in 2022. Sanctions have also hampered Russia's production of smart weapons and impeded the development of Russian telecommunications companies.

Meanwhile, Europe has successfully reduced its reliance on Russian energy imports, denying Moscow those markets. Thousands of foreign companies abandoned Russia, taking with them their know-how and links to the outside world. Putin said good riddance to them, handing many of

the properties over to his cronies, who lack the expertise to run them efficiently. Putin surely must understand that losing partners like ExxonMobil will severely set back the development of Russia's oil industry in remote locations after he spent decades trying to entice these companies to invest in Russia.

And tens of thousands—maybe hundreds of thousands—of Russia's best and brightest have fled Russia. These entrepreneurs, computer programmers, financial specialists, consultants, and scientists have already boosted the GDPs of their new homes in places such as Georgia, Armenia, and Kazakhstan.

» *Putin's dictatorship has become even more repressive.* He expanded his oppressive foreign-agent legislation, so far declaring nearly five hundred organizations and individuals to be extremists, terrorists, and criminals. He needed leaders like Navalny who are effective at mobilizing the public to be either dead or in jail. After the war began, the space for independent political activity closed even more. According to the Russian human rights organization OVD-Info, 19,335 Russians were arrested at antiwar protests right after the invasion began. The real number is significantly higher, as the group only lists those who reported their detention. People are being jailed for their social media posts and holding a blank white piece of paper on the street. Use of the word "war" is now illegal. Meanwhile, independent media were squeezed even harder.

» *Putin's war has produced lasting, negative changes in Russian society.* The Russians who have emigrated since the war began have tended to be more liberal and democratically inclined than an average Russian citizen.

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***Had Putin not launched his adventure against Ukraine, his legacy for most Russians would probably have been positive.***

Only 1.5 percent of these emigrés ever supported Putin's United Russia party. Putin and other Russian nationalists, such as Vladimir Solovyov and Aleksandr Dugin, have

dubbed this a "natural cleansing" of liberalism from Russian society and thus a positive development. Putin boasts that the Russian people "will always be able to distinguish true patriots from scum and traitors," and sees ridding the country of this "fifth column" as a "natural and necessary self-purification of society" that will strengthen Russia. But what he forgets is that the people leaving are also the most innovative, creative, and entrepreneurial Russians. Surveys emphasize that nearly half of those who emigrated worked

in IT and computing, as senior managers (16 percent), or in the arts and culture (16 percent).

And those left behind have been bombarded by Putin's propaganda describing Ukrainians in grotesque and inhuman terms, "Nazis" being one of the more polite labels. State-propaganda channels are framing the war not as a conflict between Russians and Ukrainians but as a clash between Russia and NATO, fueling an already deep sense of paranoia and resentment about the United States and Europe. The crimes against humanity that Russian soldiers have committed against Ukrainian noncombatants are making many question the basic decency of large swaths of Russian society. This may be the worst and longest-lasting of all the damage to Russian society.

» *Putin's war has accelerated Russia's political and economic isolation from the world, especially from Europe.* For several years before this war, Putin had invested

heavily in courting ties with like-minded illiberal populists through personal diplomacy, global media, and sometimes

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***The strengthening of autocratic rule did not cause Russia's economic growth.***

direct financial support. In Hungary, France, Italy, Serbia, and even the United States, he achieved some success. But the war is now interrupting these connections. Financial sanctions, including exclusion from the SWIFT international banking system, will keep Russian companies out of markets in democracies. And sanctions are sticky; they could remain in place well after the war ends, especially considering that the Ukrainian government and its supporters will rightly seek prosecution of Russian war criminals and reparations from Moscow for reconstruction.

In Russia's neighborhood, every former Soviet republic, except for Belarus, now has either a more strained or more suspicious relationship with Russia than before, especially Armenia, Kazakhstan, and Moldova. Even ties with Belarus—one of Russia's last regional partners—have become more complicated. China-Russia relations will endure, but with China emerging as the much stronger partner.

» *Finally, there are even signs of cracks within Putin's ruling elite.* In January, Putin replaced his commander in Ukraine, General Sergei Surovkin, after only a few months on the job. Putin has allowed several private armies to fight in Ukraine—including, most prominently, the Wagner Group, headed by Yevgeny Prigozhin. Not surprising, Russia's generals have shown little enthusiasm for the efforts of the mercenaries and their leader, who

accused Russia's top brass of treason for failing to provide his men with ammunition during the bloody battle for control of the Ukrainian city of Bakhmut.

## CLOUDED FUTURE

Coups and revolutions are hard to predict. Before they happen, they seem impossible. After they occur, they seem inevitable. So, we must be humble in our forecasting about regime stability and change in Russia. Putin seems unlikely to lose power in a coup or through a social revolution. The dictatorship he has constructed over the past two decades is still too repressive to allow either of these scenarios to unfold anytime soon. Moreover, Putin's cult of personality is too large to create space for a challenger from within his regime. His most formidable challenger from outside the government—Alexei Navalny—sits in jail today.

At the same time, the damage done from Putin's war in Ukraine to Russia's military, government, economy, society, and international standing will be lasting. And it will make it that much harder for Putin's handpicked successor to sustain Putinism for another twenty years. For now, only one thing appears certain: the longer Putin remains in power, the more damage will be done to Russia. ■

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# *What Will Rise from the Ruins?*

**Hoover fellow Timothy Garton Ash says the Ukraine war has dragged Europe back to an earlier and more brutal age. Will Europe suffer a forever war? Or will we see a postimperial Europe, “whole and free”?**

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**By Daniel Drake**

“**A** better future for Ukraine and Europe is possible,” writes Hoover fellow Timothy Garton Ash in the *New York Review of Books*, summing up a sentiment he draws out in an essay that he filed after visiting Ukraine at the end of 2022. Taking in European history, interviews with Ukrainian civilians and soldiers, and recent work by historians and political scientists, Garton Ash argues that the devastating war with Russia has both thrown Ukraine into chaos and raised the possibility of “the effective end of the Russian empire.” In that event, he writes, “for the first time in European history, we would have a fully postimperial Europe—that is, a Europe with neither overseas nor land empires. It would mean another great advance, comparable in scale to that after 1989,

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toward the goal memorably formulated at that time as ‘Europe whole and free.’”

I e-mailed with Garton Ash while he was on another reporting trip in Ukraine.

**Daniel Drake, New York Review of Books:** In your essay we meet “the academic-turned-soldier Yevhen,” who was twice injured and twice returned to the front. On your Substack recently, you wrote that you learned he was killed in action on New Year’s Eve. Could you tell us a little more about him?

**Timothy Garton Ash:** Such a terrible tragedy. I keep thinking about it, especially because I’m now in Kyiv. He was a very thoughtful, quiet, extremely well-read person. And what was so striking to me was that it was like meeting a *New York Review* reader, or indeed writer, who had suddenly become a soldier and was now risking his life every day, spending months living in muddy foxholes that he had dug in the ground. The conversation was so memorable, I think, because he was someone from a cultural and intellectual world so much like my own, who through his own very brave choice was catapulted into something most of us only read about in *All Quiet on the Western Front*.

**Drake:** In your travels in Ukraine, have you heard much about what life has been like on the front?

**Garton Ash:** I recently talked to a soldier from the Azov Regiment who was known as Commander Savior. He described to me some of his experiences in the besieged Azovstal steelworks in Mariupol, the absolutely desperate positions he and his comrades found themselves in, dead and dying people

lying around them. He described in graphic terms the smell of gangrene from the people near him. And then he was captured by the Rus-

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***“We have experiences [in Ukraine] which recall nothing so much as the devastation of our continent in 1945.”***

sians after the battalion had to surrender. He was tortured for months. The Russians were trying to get him and his comrades to confess to, for example, the bombing of the maternity hospital in Mariupol, which produced one of the famous images of the war, the pregnant mother being carried out on a stretcher. They were trying to get the Ukrainian soldiers to confess that it was actually they who had blown up their own hospital.

I’m just about to publish a book [May 2023—*ed.*] called *Homelands: A Personal History of Europe*, which begins in 1945 with stories from the last



months of the Second World War. In the book I wanted to bring home to a new generation what that hell was like. But before the book is published, Europe has gone back to it. And we have experiences here which recall nothing so much as the devastation of our continent in 1945.

**Drake:** The war has, of course, been at the forefront of the news in the United States, but its effects here seem to be blunted by the distance. What has the day-to-day experience of the conflict been like in the United Kingdom and Europe? Is it much closer to the surface?

**Garton Ash:** I think so, and for one simple reason: fourteen million homeless Ukrainians, of whom some eight million are now outside the country. Almost every other friend of ours in Britain and continental Europe has a Ukrainian staying with them. In Poland, there have been close to two million Ukrainian refugees. Germany has

taken in about one million. The direct, personal experience of this wave of refugees does make a difference. That said, what really worries me is that we

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**Putin “will want to hang on to some of the territory that he has gained, and which most Ukrainians will refuse to give up. So, let’s be honest, there is no end in sight.”**

will see a recurrence of what happened during the Bosnian war. In Bosnia, and I remember it vividly, after the war had gone on for about a year—and fantastic, brave journalists had written every story you could find—people got used to it. In a way, they got bored with it. It started to slide down the news agenda. I’m awfully afraid that may happen to Ukraine, too, and it just becomes another forever war.

**Drake:** What would it take to prevent a forever war, and to bring the fighting to an end?

**Garton Ash:** It’s very difficult to see the end because you have two sides that are determined to go on fighting over the same land and, for different reasons, have the resources to do so. The only way this war can end well is if the Ukrainians recover most of their territory, which in turn means they must be supplied with all the military equipment and training they need. And when Putin sees that he is losing badly, he would face a choice between further escalation and suing for peace. But what does that mean? Does escalation mean using a tactical nuclear weapon, which would lose him the support of China and India? Does it mean going to war with NATO, which would be

suicidal? If he sues for peace, he will want to hang on to some of the territory that he has gained, and which most Ukrainians will refuse to give up. So, let's be honest, there is no end in sight.

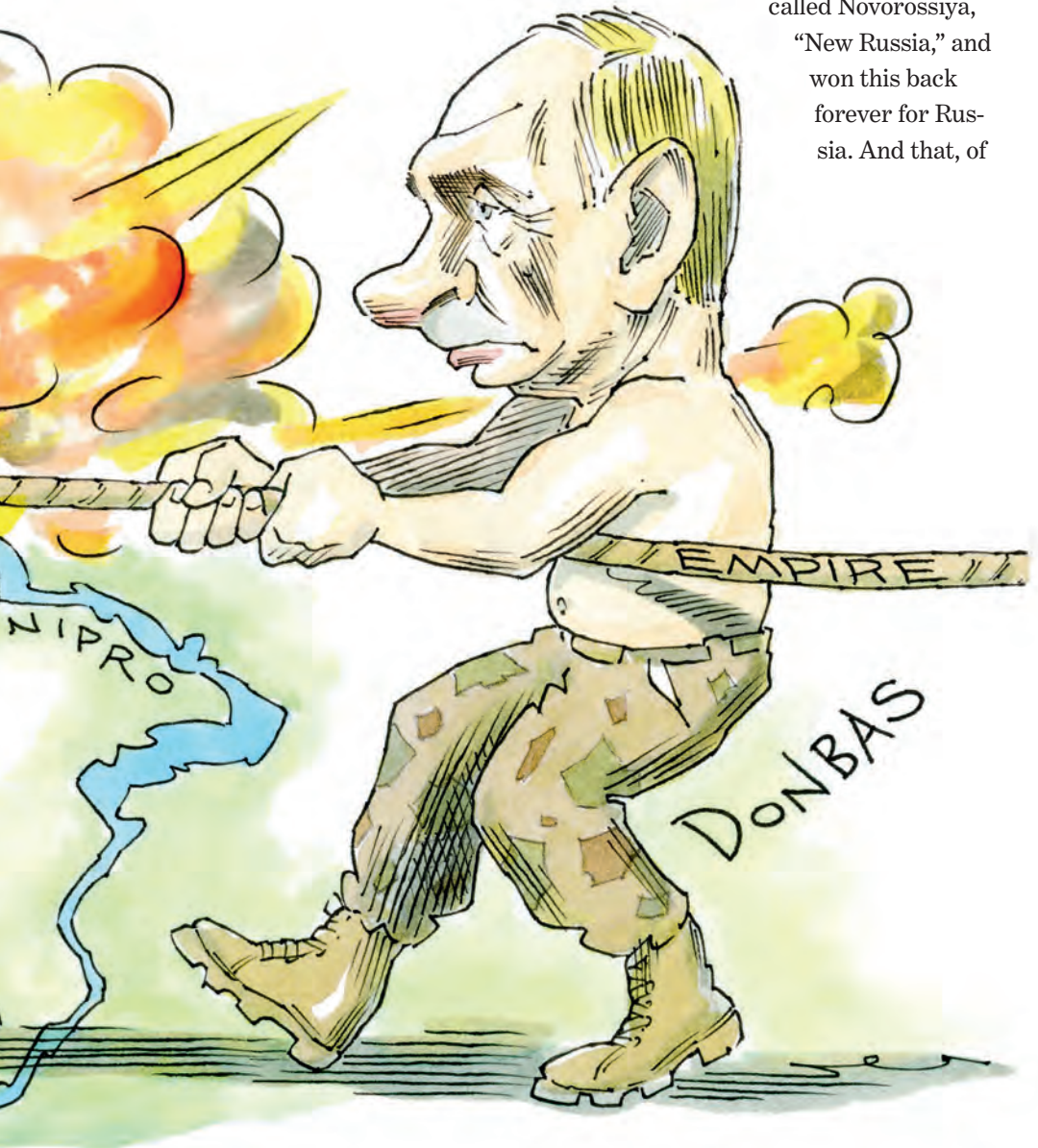
It is in that sense like the First World War, right down to the trench warfare in Bakhmut. There is a bad way this war could end, which is that the Ukrainians, for all their extraordinary courage and skill and spirit, are exhausted. Their economy is utterly battered, their energy infrastructure is battered. And



[Taylor Jones—for the *Hoover Digest*]

if, God forbid, Donald Trump gets re-elected president of the United States in 2024 and decides to pull the plug on American aid, and then European support fades, there's a very bad scenario in which Russia hangs on to a great deal of territory. (At the moment they're occupying about one-fifth of Ukraine.) Then it could become a semifrozen conflict in which Vladimir Putin could claim victory at home. He could say, I have reconquered part of

what Catherine the Great called Novorossiya, "New Russia," and won this back forever for Russia. And that, of







***WHAT NEXT? A Ukrainian refugee girl waits in a Polish refugee camp in February 2022, shortly after the Russian invasion. Poland has taken in almost two million Ukrainian refugees; Germany has accepted an additional million.***

[Mirek Pruchnicki—Creative Commons]

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course, would be a terrible outcome, not just for Ukraine and Europe but for the future of international order.

**Drake:** In your estimation, what responsibility do Europe and the United States bear? How much deeper should they be involved at this stage?

**Garton Ash:** There's no question that it's a particularly challenging judgment to make. But my fear is that at the moment, partly because of the reluctance of Germany and some other European powers, we're in a halfway house. We're giving the Ukrainians enough to defend the territory they still control, but not enough to make the kind of combined arms operation that can recapture territory behind trenches and major defensive obstacles. So, what I think NATO and the American military should be doing is sitting down and asking, what would the Ukrainian armed forces actually need in order to make successful combined arms counteroffensives to win back a very large part of the territory that Russia has taken? And what we've promised so far, enormous as it is, particularly from the United States, doesn't look like

quite enough. For example, there are just not enough tanks and long-range missiles.

**Drake:** I understand you got your start after university working in East Germany and Eastern Europe, but when did you first go to Ukraine?

**Garton Ash:** I first went to Ukraine when it was part of the Soviet Union, in the 1980s, and first went to newly independent Ukraine in the early 1990s. And then I had a formative experience in 2004 witnessing the Orange Revolution, which I wrote about for the *New York Review*. At the time, we thought of it as part of the forward march of the velvet revolutions of 1989—which of course I wrote about in the *New York Review*, too. I've gone back several times subsequently and witnessed this extraordinary story: Ukraine becoming a self-conscious, independent country, increasingly united in wanting to be part of Europe. And now one of the great things about going there is that this young generation of Ukrainians—say, those under thirty-five—just takes it completely for granted that Ukraine is another European country that has its own independent identity and destiny. Many of them have studied in the West, speak excellent English, and are deeply committed to the future of their country. They're fantastic.

**Drake:** There are doubtless some Russia sympathizers still living in Ukraine. If the Ukrainian army manages to hold Russia off and reclaim most of its territory, how might Ukrainian society reconcile with those who supported Russia, or who feel drawn to Russian culture?

**Garton Ash:** I don't think there are many left now. Commander Savior, the soldier from the Azov Regiment, was finally released from a Russian prison as part of an exchange for Viktor Medvedchuk,

a Ukrainian oligarch who was a close ally of Putin's. So, Russia's guys, in that sense, mostly left. I think there are two

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***“What we've promised so far, enormous as it is, particularly from the United States, doesn't look like quite enough.”***

remaining issues that will be very difficult. One is in the occupied territories. In Crimea and some of the easternmost provinces, the patriotic Ukrainians have largely left; part of the population was already quite pro-Russian, and now after years of Russification and pro-Russia propaganda they are quite plausibly very hostile to Ukraine.

For years, many Ukrainians, including President Zelensky, whose Russian is better than his Ukrainian, oscillated between Russian and Ukrainian with complete fluidity, and a place like Kyiv was simply bilingual. And there was something rather great about that cultural fluidity. It was a multicultural society. And I think one danger now may lie in an overwhelming, and entirely understand-

able, revulsion against all things Russian. Later today, I'm visiting a bookshop here in Kyiv where Russian books are being trashed, actually physically

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***“There was an unbearable lightness at the end of the Soviet empire, as it seemed in 1991.”***

pulped, as a way of supporting the troops. Pushkin Street has been renamed after a leading figure in early-twentieth-century Ukrainian cultural life. Ukraine is almost going to define itself as the non-Russia. I was talking the other day with people from PEN Ukraine who say very clearly, this is a war of decolonization, and Russian language and culture were part of the colonial enterprise.

**Drake:** It has been hard not to hear the echoes of this crisis with the collapse of the Soviet Union in the late 1980s.

**Garton Ash:** Or indeed 1991. Sergey Surovikin, the man who was—until his recent demotion—the supreme commander of Russian forces in Ukraine, was actually a putschist in August 1991. So, what's happening now is what would have started to happen then if the putsch against Gorbachev had succeeded. The empire striking back. In *Homelands* I argue that that is one of the reasons we could now be said to be seeing, since February 24, 2022, the end of what I call the “post-Wall era.” There was an unbearable lightness at the end of the Soviet empire, as it seemed in 1991. It's almost the opposite of Karl Marx's famous comment about “the first time as tragedy, the second as farce.” This time it's the tragedy that's coming the second time around. ■

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# *Masters of the Inland Sea*

**The Black Sea is where Asia and Europe meet. The struggle to control that body of water now includes the conflict in Ukraine.**

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**By Jakub Grygiel**

**T**hirty years from now, a historian writing a book on the events of the past two decades happening in the area between Russia and the Middle East, including in Ukraine, might title it *The Long War for the Black Sea*. For, in fact, while the military clash between Russia and Ukraine is occurring mostly on land and the outcome of the war will determine the political and economic survival of an independent Kyiv, the great strategic prize is the Black Sea. To control Ukraine means to dominate the Black Sea, and to control the Black Sea means to control the inland sea of Central Europe and the Caucasus.

Nevertheless, military operations on the Black Sea seem to be a sideshow of the primary battlefield on the Ukrainian steppes. With the exception of a few events, visually dramatic and reputationally shocking for Russia (for instance, the sinking of Russian warship *Moskva* by two Ukrainian Neptune missiles in April 2022; the Ukrainian retaking of strategic Snake Island; and an attack by unmanned surface vessels on Russian ships in Sevastopol

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# The Black Sea



[Taylor Jones—for the *Hoover Digest*]

in October), the decisive actions in this current clash between Russia and Ukraine are along the Dnieper, in eastern Ukraine, and to some degree over Ukraine's cities and infrastructure. The Black Sea is not a major theater of operations also because Ukraine has no naval assets and a very limited ability to fly or sail over it.

In fact, the Black Sea seems more of a venue for cooperation than for competition. The so-called "grain deal" is the main fruit. A series of parallel agreements, negotiated under the United Nations but signed in Istanbul, allows Ukraine to export grain while also granting Russia the right to do the same and send to the world markets its own foodstuffs, oil, and fertilizer, blunting Western sanctions.

But this impression that the Black Sea is a secondary theater—or even a source of cooperation—is mistaken. It is not a military battlefield between Russia and Ukraine. It is, however, a geopolitical chessboard where mainly Russia and Turkey vie for control.

## ARENA OF EMPIRE

On the Black Sea, the United States is not the primary actor. This sea has never been at the center of American attention, which has been focused rather on the Atlantic Ocean and the Mediterranean and Baltic Seas (and from a global perspective, increasingly drawn to the Pacific). Not surprising, the Biden administration's National Security Strategy doesn't mention the Black Sea; neither did the 2017 Trump document. And while over the years some have raised the issue of the Black Sea as pivotal, there is no coherent strategy on how to deal with it. Recently, Senators Mitt Romney and Jeanne Shaheen have passed a bill requiring the Biden administration to develop a Black Sea strategy, the lack of which is seen as an



intellectual weakness rather than as a symptom of an objective absence of interest and inability to exercise influence.

This strategic void goes back to the Montreux Convention of 1936, which imposed limits on the size and length of stay of ships of nonlittoral states in the Black Sea. As a result, NATO vessels (except those from nations like Turkey and Romania, with a coast on the sea) have limited ability to patrol this body of water.

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***To control the Black Sea, Russia needs Ukraine, and in particular Crimea. The “Crimean question” was already a concern two centuries ago.***

No NATO ship traversed these waters before February 2022 and once Turkey closed the straits to non-littoral ships at the beginning of the renewed Russian invasion of Ukraine, there has been no possibility of introducing one there. In brief, the Black Sea is, indeed, a sideshow for the Western alliance and the United States in particular.

Yet it is an internal sea in the region and consequently it controls the littoral lands around it. In fact, it is hard to understand the geopolitics of Central Europe, the Caucasus, the Mediterranean, and the Middle East without looking at the Black Sea.

Its importance lies in its continental nature. As an internal sea, it is a vital artery for the littoral states. For instance, it holds the estuary of the Danube, a meandering European river that goes through Vienna, Bratislava, Budapest, and Belgrade, along the border between Bulgaria and Romania, and then north toward Moldova and Ukraine. The heart of Europe flows into the Black Sea.

For Russia, the Black Sea is crucial to access the Mediterranean and to exercise influence over the Danubian region. The foreign policy objective of Russia is—as it has been for centuries—to rule the Black Sea. The Ottoman empire controlled it until the seventeenth century, when Russian southward expansion challenged and ultimately replaced

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***A Russia that controls the Black Sea also becomes a Middle Eastern power.***

the domination of the Turks and the Poles. The Russian Black Sea fleet was created in 1783 and since then, with some ups and downs, the sea was essentially a Russian, and then Soviet, sea.

After the collapse of the USSR, Moscow’s dominion over this sea also broke. Ukraine’s independence diminished Russian possession of the



northern littoral. NATO's enlargement to Romania and Bulgaria in 2004 added more Western allies to the Black Sea states. And the rise of Turkey as an assertive middle power, eager to establish its own influence over the region, reintroduced a strategic actor that has been essentially irrelevant since the late eighteenth century. The loss of the Black Sea was for Moscow a serious geopolitical setback, and it is not surprising that Putin, the aspiring modern Russian czar seeking the restoration of imperial greatness, has relentlessly engaged in aggression in the region.

## THE RUSSIAN IMPERATIVE

During the past twenty years, Russia's actions can be seen as a series of attempts to make the Black Sea its own. Russia's wars against Georgia (2008) and Ukraine (2014), as well as its involvement in Syria, are attempts to dominate the Black Sea and are part of a larger, more ambitious strategy to restore Russia's geopolitical heft. This is Russia's long Black Sea War.

The Black Sea is also a means to control the Caucasus region and, above all, to be a geopolitical

actor in the Middle East.

A Russia that controls the Black Sea becomes a Middle Eastern power.

Moreover, without a firm hold of this sea,

Russia cannot easily access the Mediterranean, a sea that was a locus of great-power competition during the Cold War. In brief, the Black Sea is to the region from the Mediterranean to the Persian Gulf what Poland is to Western Europe: a necessary gate for Russia.

But to control the Black Sea, Russia needs Ukraine, and in particular Crimea. The main port of Sevastopol has been a key base for the Russian navy. And the Sea of Azov, an inland sea leading to an inland sea, controls the access to the Caspian Sea through the Volga-Don Canal. Russia's aggression against Ukraine is thus driven by a geopolitical need more than by some passing whim of Putin. Putin at some point will no longer be the dictator in Moscow, but the geopolitical imperative for Russia to control the Black Sea, and Ukraine, will continue to exist and shape Russian foreign policy. This is an old problem for Russia. Even in the late eighteenth century, it was clear that "as long as the Crimea remained independent, Russia could have no navy in the Black Sea," wrote John P. LeDonne in *The Russian Empire and the World: 1700–1917*. "The Sea of Azov freezes over from November to April and

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***You can't understand the geopolitics of Central Europe, the Caucasus, the Mediterranean, and the Middle East without looking at the Black Sea.***



its exit was too shallow for large warships. Russia's future as a naval power in the Black Sea thus depended on a settlement of the 'Crimean question.' ”

The current iteration of Russia's southward push may pause at some point simply out of military exhaustion imposed by Ukrainian forces, but the vector of Russian foreign policy—and its goal of imperial domination—will not change. ■

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# Cold War II

**First, we must recognize that China represents a determined, crafty, and dangerous foe. Then we must recognize that we can prevail against it.**

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**By H. R. McMaster**

**T**he United States has fallen behind in the consequential competition with the Chinese Communist Party (CCP). For too long, leaders in academia, industry, and finance as well as in multiple administrations and Congresses clung to the assumption that China, having been welcomed into the international system, would play by the rules and, as China prospered, would liberalize its economy and form of governance. Reality proved otherwise, but many leaders were slow to overcome wishful thinking and self-delusion concerning the intentions of the CCP. As a result, the United States and other nations across the free world underwrote the erosion of their own competitive advantages through the transfer of capital and technology to a strategic competitor determined to gain preponderant economic and military power.

It is past time to recognize that the CCP is the aggressor in this competition. When Matthew Pottinger and I, alongside others in the Trump administration, undertook a deliberate effort to correct the US approach to China, we met considerable resistance. Some tried to cast the 2017 National

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Security Strategy and the Indo-Pacific Strategy as inflammatory or unnecessarily aggressive. But those criticisms were based in strategic narcissism or the tendency to define the world only in relation to the United States and to assume that US actions are decisive to achieving favorable outcomes. Those reluctant to abandon cooperation and engagement with China in favor of transparent competition did not seem to realize that the CCP has ambitions far beyond reacting to what the United States and our allies and partners do. They undervalued the degree to which ideology, emotion, and aspirations drive and constrain the party's leaders.

It is important to understand that Communist Party leaders fear losing their exclusive grip on power and are driven by an obsession with control.

The CCP maintains control through the manipulation of history, brutal repression, a sustained campaign of propaganda,

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***As we might have learned from Ukraine's experience, it is much cheaper to deter a war than to fight one.***

continuous surveillance, and the weaponization of social networks. Fear and obsession with control also drive the CCP's aspiration to realize its vision of "national rejuvenation." Chairman Xi Jinping and CCP leaders believe that they have a narrow window of opportunity to strengthen their rule and revise the international order in their favor—before China's economy sours, before the population grows old, and before events (e.g., the coronavirus pandemic) expose the vulnerabilities the party created in their rush to surpass the United States and realize the Chinese dream.

Fear and ambition are inseparable. The narrative of regaining honor lost during the "century of humiliation" and of "taking center stage" in the world is meant to promote the "China model" of one-party authoritarian rule and portray that model as superior.

## **TWO DANGEROUS MISTAKES**

The party is intensifying efforts to extend and tighten its exclusive grip on power internally, and to gain preponderant power externally, through a campaign of co-option, coercion, and concealment. China co-opts countries, international corporations, and elites through false promises of impending liberalization, insincere pledges to work on global issues such as climate change, and especially the lure of short-term profits, access to the Chinese market, investments, and loans. Co-option includes "debt traps" set for corrupt or weak governments. Co-option makes countries

and corporations dependent and vulnerable to coercion. The party coerces others to support or at least ignore its efforts to extinguish human freedom internally. It also forces companies and countries to submit to Chinese demands and support the CCP's worldview and violent self-conception as a one-party nation with no room for ethnic plurality except on its own rigid terms.

There are two fundamental misunderstandings about the competition with the Chinese Communist Party that impede America's ability to compete. The first is that Chinese aggression is the result of US-China tensions or a response to the United States' description of China as a rival. This misunderstanding is a form of strategic narcissism—an arrogant, self-referential view that assumes the party has no volition of its own and no aspirations beyond those in reaction to what the United States does.

To correct this misunderstanding, it is instructive to highlight the CCP's actions in the midst of the global pandemic over the past three years and contrast those actions with the words of Chinese leader Xi Jinping.

Xi urged the world to “embrace cooperation and jointly defeat the pandemic” while suppressing information about the COVID-19 outbreak, prosecuting doctors and journalists who tried to warn the world, and corrupt-

ing the World Health Organization. Xi continued to promise cooperation in cybersecurity while launching massive cyberattacks globally, including on medical research facilities in the midst of the pandemic. Party leaders also continued to speak the language of cooperation and global governance while repressing human freedom. Chairman Xi spoke of “rule of law” while he interned millions of people in concentration camps, waged a campaign of slow genocide against the Uighur population in Xinjiang, and extinguished freedom in Hong Kong.

In other areas, Xi vowed carbon neutrality by 2060 while China became, by far, the world's largest carbon emitter and built scores of coal-fired plants each year. Xi gave speeches on free trade while engaging in economic aggression, forced labor, economic coercion, and numerous unfair trade and economic practices. He inflicted economic punishment on Australia for having the temerity to propose an inquiry into the origins of the coronavirus, and Lithuania became the sixth European Union country to experience Chinese

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***American leaders have failed to grasp the degree to which ideology, emotion, and ambition drive and constrain the party's leaders.***

economic coercion after the opening of a “Taiwanese Representative Office” in Vilnius in November 2021.

Xi shared his vision of a “community of common destiny” while fostering servile relationships with corrupt governments and poor countries through economic coercion or military intimidation. He professed that China is not an

aggressive power while he built and fortified islands in an effort to control the South China Sea, his naval vessels rammed and sank ships in international waters, his aircraft

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***China co-opts countries and businesses through false promises of liberalization, insincere pledges, and the lure of short-term profits.***

violated the air defense identification zones of his neighbors thousands of times, and his soldiers bludgeoned Indian soldiers to death on the Himalayan frontier. Meanwhile, the party raced to perfect its technologically enabled police state and extend its repression into Hong Kong.

Those in denial about the nature and gravity of the threat from the CCP tend to listen to what Xi and party officials say to international audiences rather than pay attention to the party’s actions or what CCP leaders say in internal speeches and documents.

The second misunderstanding is that competition with China is dangerous or even irresponsible because of a “Thucydides trap” that presents us with a binary choice between passivity and war. Before 2017, passivity in connection with CCP aggression in the South China Sea and elsewhere had put us on a path to conflict. Had we remained complacent under the strategy of engagement and cooperation, China would probably have become even more aggressive. Transparent competition can prevent unnecessary escalation and enable, rather than shut down, cooperation with China. But the party promotes the false dilemma associated with the Thucydides trap to portray efforts to defend against its aggression as simply the status quo power, the United States, trying to suppress the rising power, China, and its people.

The two misunderstandings provide cover for the party’s aggression and rationalization for those eager to shrink from competition in pursuit of short-term profits.

**COMPREHENSIVE AND CLEAR-EYED**

To overcome the party’s campaign of co-option, coercion, and concealment and counter the wielding of its authoritarian mercantilist model against the

free world, the United States and like-minded partners must take a comprehensive approach to economic statecraft.

The complete decoupling from the Chinese economy is impractical. But it is important to note that CCP leaders aim to make the United States and other economies dependent on China for critical goods and technologies even as China is insulated

from economic consequences that would follow Chinese aggression.

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***Among the Beijing leadership, fear and ambition are inseparable.***

High-standard trade

agreements are thus a vital part of any strategy. Such agreements could make it easier for companies and countries to link their supply chains with the United States. Tools of economic statecraft also should aim to combat Chinese industrial espionage; screen Chinese investments to protect sensitive technologies; screen outbound investments in Chinese companies; implement export controls to prevent transfer of critical technologies; invest in the development of critical technologies to maintain advantages; strengthen human capital; and streamline permit-approval processes.

Policies and legislation should encourage businesses to adhere to something like a Hippocratic Oath to do no harm:

» *First*, do not underwrite China's asymmetric pursuit of dominance in defense, dual-use technologies, and critical industries.

» *Second*, do not undergird China's surveillance state, human rights abuses, or oppression of ethnic and religious minorities.

» *Third*, do not undermine your company or industry's long-term economic vitality or resilience in pursuit of short-term gains.

Business and financial institutions would be wise to act now to reduce geostrategic risk. Moreover, because of the CCP's egregious human rights abuses, companies will find it difficult to shield themselves from reputational risk associated with doing business in China. The extinguishing of human rights in China should be a topic of grave concern in boardrooms across the free world.

Lessons from the war in Ukraine also apply to the competition with the CCP. The war revealed that the United States has underinvested in defense. Defense planning has been based on fundamentally flawed assumptions, especially that US forces would not have to respond to multiple major contingencies simultaneously and that wars would end quickly, largely because of US technological advantages. The military needs major investments to handle problems of deferred modernization and also requires additional



capacity to deter conflicts—and, if necessary, respond to crises—in multiple theaters.

As China’s military continues its threatening behavior directed at Taiwan, Japan, and South Korea and in the South China Sea, the CCP is deepening its support for Russia’s war-making machine. It is clear that the “triangular

diplomacy” practiced by President Nixon and Henry Kissinger in the 1970s, in which they sought closer relations

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***Transparent competition can prevent unnecessary escalation.***

with Russia and China than those nations enjoyed with each other, is no longer. The two revanchist powers have vowed that the “friendship between the two states has no limits.”

China is continuing the largest peacetime military buildup in recent history. These investments are specifically targeted to “fight and win wars” against a “strong enemy,” counter third-party interventions, and project power globally. China possesses the largest navy in the world and the largest aviation force in the Indo-Pacific, with more than half of its fighter force utilizing fourth- or fifth-generation aircraft. Beijing’s defense budget has almost doubled in the past decade, and in 2021 alone it launched more ballistic missiles for testing and training than the rest of the world combined.

The danger of cascading crises, in which multiple adversaries take advantage of US preoccupation in one region to take aggressive action in

another, is rising. The Biden administration and legislators could increase investments in defense to fully modernize the force, increase capacity across the services, bolster

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***The extinguishing of human rights in China should be a topic of grave concern in boardrooms across the free world.***

critical military supply chains, and build much larger stocks of weapons and munitions. As we might have learned from Ukraine’s experience, it is much cheaper to deter a war than to fight one.

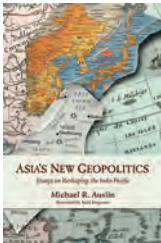
The United States and like-minded nations should race not only to improve their own military capabilities and capacities but also to help Taiwan and Japan build theirs. One priority would be expediting delivery of the almost \$19 billion worth of weapons and munitions Taiwan has already purchased.

## PLAYING TO STRENGTHS

We can no longer afford complacency about the threat from China's campaign of co-option, coercion, and concealment. But we should be confident. We might remember how in May 2022 the Kremlin leadership was watching a well-choreographed military parade even as its poorly led, ill-trained, and undisciplined military was failing in Ukraine. Meanwhile, the CCP was doubling down on its self-destructive zero-COVID policy and cracking down on the tech sector as it scrambled to contain a real estate crisis.

Authoritarian regimes are brittle. Democracies are resilient. Americans have a say in how we are governed, and we can demand better policies to compete with China. ■

*Special to the Hoover Digest. Adapted from testimony presented before the House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party.*



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# *Debt Traps: Made in China*

**Across the developing world, Beijing lures nations with vast infrastructure loans on one-sided terms. Now, some recipients are trying to escape.**

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**By *Oliver McPherson-Smith***

**C**hinese funding for subpar infrastructure projects across the developing world has long been labeled a predatory exercise in debt-trap diplomacy. The exact details of these white elephants, however, are often kept opaque.

Recently released documents surrounding the Chinese-funded Mombasa-to-Nairobi railway in Kenya now demonstrate just how predatory Beijing's secret lending can be.

The deal, inked by then-president Uhuru Kenyatta and the China Exim Bank in 2014, provided Kenya with 85 percent of the financing for the multibillion-dollar project. At the time of signing, there were early indications that the deal was too good to be true. Without a competitive or public tender, the Chinese state-owned China Road and Bridge Corporation (CRBC) was awarded the construction contract. This was subsequently ruled to violate Kenyan law, but only after construction was complete.

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*Oliver McPherson-Smith* is a research fellow at the Hoover Institution and the co-author of *China's Sharp Power in Africa: A Handbook for Building National Resilience* (Hoover Institution Press, 2022) with Glenn Tiffert.

Despite local court orders to make the loan agreement public, confidentiality clauses in the deal were used by President Kenyatta to inhibit public oversight. Kenya has now been through two parliamentary and presidential election cycles since the deal was signed, with limited public scrutiny of what critics term the “gravity train.”

Heeding public calls for transparency, the government of recently elected president William Ruto has published several loan documents linked to the project that demonstrate

the predatory nature of Beijing’s lending. In addition to the noncompetitive construction tender, the deal requires all “goods, technologies,

and services” in the railway’s construction to be preferentially sourced from China. Additionally, these imports were exempted from Kenyan taxes and duties. Together, these provisions have shortchanged the Kenyan economy of opportunities associated with the construction of the most expensive infrastructural project in the country’s history.

The agreement also runs roughshod over the rule of law in Kenya. In the event of a dispute, the Exim loan stipulates that arbitration can take place only in Beijing, without the right to appeal. More generally, the deal is “governed by and construed in accordance with the laws of China.” The rush to relegate the agreement to Beijing’s jurisdiction hints at the fear of a relatively impartial trial in Kenya. Local courts have been willing to rule against the Nairobi government when civil society has litigated the conditions of the deal, and there is a real risk that they would be equally unintimidated by Beijing.

The corrosive nature of the railway loan is made worse by the project’s lackluster economic

performance. Since beginning service in 2017, the railway project has struggled to turn a profit. In 2022, it was

revealed that Kenya had already paid Chinese lenders more than \$10 million in penalties associated with the railway’s fragile finances.

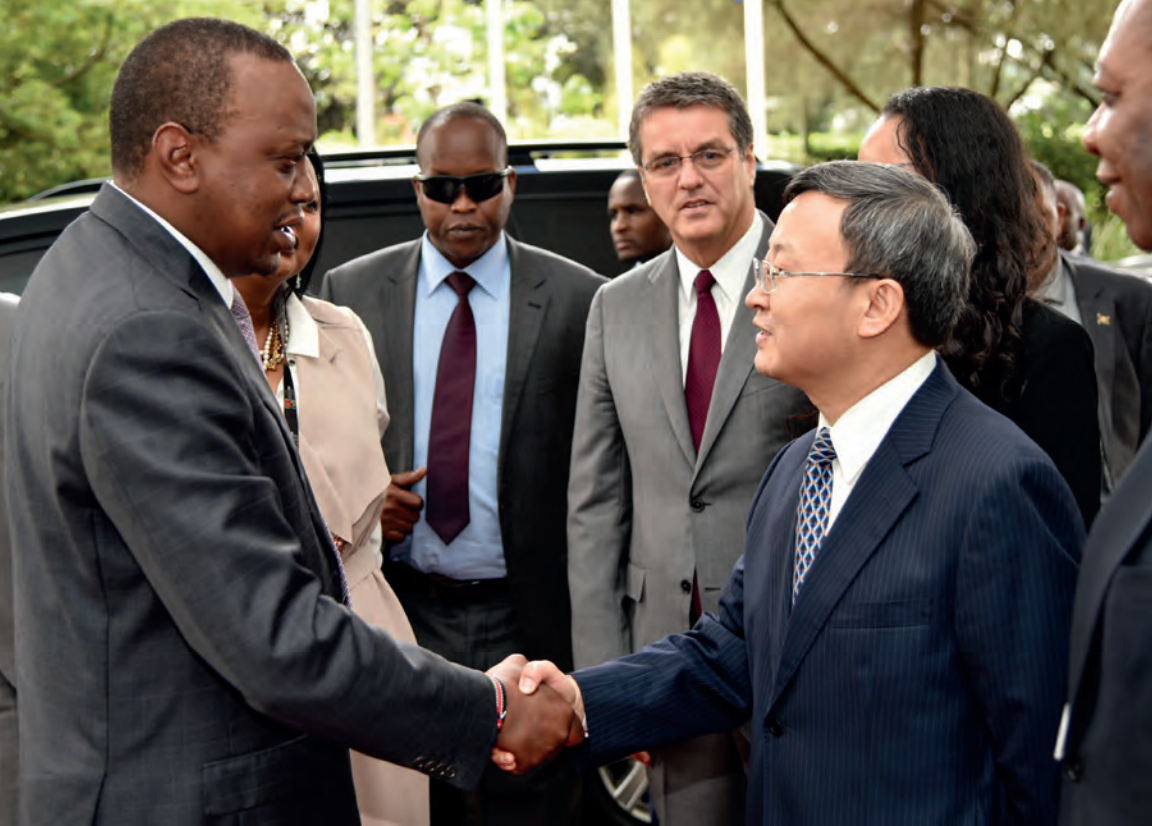
The costly drawbacks of Beijing’s loan conditions are a prime example of what scholars call China’s “sharp power.” Unlike military hard power or cultural soft power, China’s sharp power represents the manipulative erosion

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***China’s sharp power represents the manipulative erosion of good governance to advance Beijing’s position within the global order.***

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***Kenya has been through two election cycles since the railway deal was signed, with limited public scrutiny.***



***TOO GOOD TO BE TRUE: Kenyan President Uhuru Kenyatta, left, greets Chinese trade representative Wang Shouwen in Nairobi in 2015. The previous year, Kenyatta and the China Exim Bank signed a deal that gave Kenya 85 percent of the financing for a Mombasa-to-Nairobi railway. The administration of Kenya's current president, William Ruto, has released documents showing the predatory nature of Beijing's loan that built what critics call the "gravy train."***

[World Trade Organization]

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of good governance to advance Beijing's position within the global order. Infrastructural investment and business engagement can benefit developing countries, regardless of the foreign counterpart. But China's exercise of sharp power in Africa adds unforeseen costs that are predominantly borne by civil society and communities, such as greater corruption, environmental degradation, and diminished political accountability.

While China's sharp power takes a variety of forms, the Kenyan railway deal represents just the tip of the iceberg of Beijing's predatory lending and corrosive contracts. Among a sample of one hundred Chinese government loans to developing countries, researchers in 2021 found that all loans since 2014 included confidentiality clauses. These clauses not only hide loan

conditions from citizens and civil society but also prevent other lenders from accurately assessing the borrower country's debt profile.

Although Beijing's loans are shrouded in mandated secrecy, it appears that the manipulative terms of the Kenyan railway loan are not unique. In 2021, lawmakers in Uganda revealed that a China Exim loan to expand the country's sole international airport similarly mandated arbitration in China under Chinese law.

Discussions of China's debt-trap diplomacy often focus on the risk of asset seizure in cases of loan default. While these discussions about worst-case scenarios are important, they overlook the pernicious everyday sharp power provisions that routinely accompany Beijing's lending.

More than eight years since it was signed, the details of the China Exim loan for the Mombasa-Nairobi railway are only just coming to light. By giving citizens greater oversight of their fiscal liabilities, transparency will further derail China's predatory debt-trap diplomacy. ■

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# Fatal Distraction

**In the Middle East, US policy makers have been slow to react and even slower to learn. The rapid and dramatic changes in the region mean Washington must snap out of it.**

**By Russell A. Berman**

**T**he United States faces adversarial powers in China and Russia; that is the first principle of contemporary strategic thinking. Those challenges cast a shadow on all other foreign relations.

Because of China's significance for the global economy and its efforts to project its power outward, it has become the primary concern for US policy makers. The "pivot to Asia" has always meant concentrating US power to prevent China from becoming a hegemon in the Western Pacific and to maintain the credibility of the US alliance structures with South Korea, Japan, and Australia. The Chinese goal is the opposite: diminish and ultimately eliminate US influence in the region. The United States rightly resists that aspiration.

## Key points

- » The United States must pay closer attention to policy in the Middle East, a key theater of global conflict.
- » The war in Ukraine is relevant to many US concerns in the Mideast.
- » US policy should focus especially on Turkey, Saudi Arabia, and Iran.

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*Russell A. Berman is a senior fellow at the Hoover Institution, co-chair of Hoover's Herbert and Jane Dwight Working Group on the Middle East and the Islamic World, and a participant in Hoover's Human Prosperity Project and its working groups on military history and national security. He is also the Walter A. Haas Professor in the Humanities at Stanford University.*

Russia is less significant economically and demographically than China, but it remains a major nuclear power. Under Vladimir Putin it is pursuing a revanchist strategy along its borders that aims to regain some of the standing once held by the Soviet Union. Furthermore, at least until its invasion of Ukraine, Russia used energy to expand its influence to the West and to establish a relation of dependency in, especially, the German economy. (Former German Chancellor Angela Merkel, once celebrated as the leader

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***The failure of US leadership regarding Syria undercuts Washington's aspirations to moral leadership.***

of the free world, bears major responsibility for that misadventure, which has in fact endangered the free world.) Just as China wants to expel the United States from the Western Pacific, Russia pursues a long-term goal, inherited from the Soviet era, of pushing the United States out of Europe. The Russian war in Ukraine is driven in part by the vision of reducing US and Western presence, unleashing tensions within NATO, and inciting problems for the European Union.

## **MYOPIA**

Facing these Chinese and Russian challenges, the Biden administration foreign policy in the Middle East is, to say the least, underdeveloped. To be sure, the region no longer has the urgency it did during the gulf wars or in the campaign against ISIS. Long-standing issues in the Middle East, be they the perpetual government crisis in Lebanon or the instability in Libya, cannot compete for State Department attention, given the primacy of China or Russia policy questions.

There is a further explanation for this administration's inattention to the Middle East. Its idealist inclination leads it to view all foreign policy through the lens of democracy promotion, meaning that nondemocratic or "authoritarian" states are shunned. Yet democracies are few and far between in the Middle East and North Africa (MENA) region. When the Biden administration convened its "Summit for Democracy" in December 2021, only two countries—Israel and Iraq—of the twenty countries in the MENA region were invited. The very frame of Biden foreign policy excluded nearly all countries of the region. On a conceptual level, that policy simply does not match the reality of the region. If we will only talk with democracies, then we will be lonely indeed in the wide space between Morocco and Iran.



***NO PEACE: Protesters holding images of Mahsa Amini, who died in Iranian police custody, gather in London in October to challenge the Tehran leadership. Iran has supplied weapons and drones to Russia in its attack on Ukraine, adding to the pressure on US leaders to respond.*** [Alisdare Hickson—Creative Commons]

This attention deficit toward the Middle East is unfortunate. When America is not engaged in the region, endemic problems are not addressed. The prime example of this phenomenon is Syria, one of the worst humanitarian and human rights catastrophes of the era, and where the Biden administration has chosen to abdicate any responsibility. Its callous disregard of the crimes of the Assad regime—the political executions, ethnic cleansings, and refugee displacements—is comparable only to the inactivity of the Clinton administration during the Rwanda genocide in 1994. Both failures of US leadership damage Washington’s aspiration to moral leadership.

Yet the minimalist engagement of the Biden administration diplomacy in the Middle East is wrong not only in terms of values betrayed but with regard to realistic threat assessments. Some of the countries of the Middle East have great relevance to the primary concerns of US foreign policy, that is, the tensions with China and Russia. Defeating those near-peer adversaries demands a smart strategy in the MENA region. This approach is especially pertinent to policy concerning three major states: Turkey, Saudi Arabia, and Iran.

## THREE NATIONS TO WATCH

Under Recep Tayyip Erdoğan, Turkey has no doubt been a complicated ally. There are many points of disagreement between Washington and Ankara: the Turkish purchase of Russian S-400 surface-to-air missiles, US support for Kurdish forces that Ankara views as terrorists, the political puzzle of the Eastern Mediterranean, and more. Yet Turkey remains a significant NATO ally and has played a positive role in support of Ukraine. Turkey is hoping to buy US F-16 fighter jets. At the same time, Ankara has been an obstacle to extending NATO membership to Sweden. It is therefore up to the Biden administration to take action on the F-16s, bringing Congress along, but implicitly linking the sales to Turkish approval of the NATO expansion. Such an exchange would not resolve all tensions in the bilateral relations, but it would be a major step toward European security in the face of Russian aggression. Ignoring Turkey harms US interests.

Relations with Riyadh have, likewise, become fraught to the point of detriment to the United States. When candidate Joe Biden declared Saudi Arabia a “pariah nation,”

he backed himself into a rhetorical corner that continues to hurt American interests. The decades-long partnership between Wash-

ington and Riyadh is under considerable stress. Rather than antagonizing Crown Prince Mohammed bin Salman, an alternative US policy could have endorsed some of his impressive reform efforts, which are transforming the country and for which MBS has earned considerable public support. However, the Biden policy has led the Saudi ruler to explore alternative paths, not breaking fully with the United States but at the same time exploring stronger relations with China. More robust bilateral ties between Saudi Arabia and China are obviously harmful to US strategic interests. A smarter diplomacy out of Washington could have prevented this; a changed diplomacy might clean up the mess.

Finally, Iran has been acting as a de facto ally to Russia and China. Yet the Iranian regime has confronted heroic domestic protests. The supreme leader, Ali Khamenei, is old and ailing. A succession struggle is sure to take place soon. This is the right time for the United States to pressure Tehran, in the hope of sparking internal divisions leading to a transition. The most obvious pressure would involve an unambiguous termination of the “Iran

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***Saudi Arabia’s ruler has been tempted to explore alternative paths, not breaking fully with the United States but at the same time courting China.***

Deal,” the Joint Comprehensive Plan of Action (JCPOA) of 2015, since it is in reality defunct. Yet the Biden administration insists on hanging on to the illusion that it might be revived. Ending the JCPOA would send a signal to the Iranian public that its current regime has failed them. Change in Tehran will benefit the United States in the competition with China and Russia.

## **WEAPONS FOR RUSSIA**

Iran is relevant for a second, more specific reason. Iran has now become an arms supplier to Russia, providing drones for use against targets in Ukraine. That unambiguous Iranian support for Russian aggression should be treated as a red line that has been crossed: Iranian support for Russia in Ukraine is grounds enough for the United States to increase support to the regional opponents of Iranian expansionism. Israel is fighting Iranian forces in Syria and has also carried out drone strikes recently inside Iran. Saudi Arabia and the United Arab Emirates need greater US support against Iran-backed Houthis in Yemen. Similar strategies, both military and political, could be developed regarding Iran proxies Hezbollah in Lebanon and Hamas in Gaza.

Yet despite the heroic protests of Iranians, especially Iranian women, the US response to the political crisis in Iran has been sluggish at best.

The Biden administration has failed to provide bold strategic thinking with regard to Iran, but this is no different from its indolence in regard to Saudi Arabia and Turkey. If US policy genuinely intends to win the competitions with China and Russia, then Washington cannot continue to ignore the Middle East, which is a key theater of the global conflicts. ■

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# “They Want First World Lives”

**Chile is a promising country—but it promised its own people too much.**

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*By John Masko*

Chile is a broken nation. The streets of Santiago erupted into violence again last fall, after voters rejected the leftist constitutional convention’s attempt to replace the country’s forty-year-old constitution. It was the latest chapter in a three-year drama of unrest.

For four decades, Chile was the exception on a continent known for political instability and economic mismanagement. Despite military dictator Augusto Pinochet’s political persecutions, his 1981 constitution offered a solid foundation for his democratically elected successors to develop Chile from a mineral-rich but cash-poor nation into a prosperous and diversified economy. Chile outgrew its neighbors, reduced poverty, and increased its per capita income.

But in 2019, South America’s erstwhile “tiger” descended into chaos. To many outside observers, the reasons protesters gave for throwing out the country’s constitution made little sense. They cited wealth inequality, even though Chile wasn’t particularly unequal compared with its neighbors. They cited poor education and health care, yet Chile had among the best of both in South America. They named the lingering legacy of Pinochet, though his

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*John Masko is a researcher at the Hoover Institution.*



***POWDER KEG: Gabriel Boric delivers a victory speech after winning the Chilean presidency in December 2021. Months after taking office in March 2022, Boric was faced with widespread protests and the rejection of an attempt to change Chile's constitution.*** [Fernando Ramírez—Creative Commons]

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constitution had for decades undergirded the continent's most stable, politically diverse democracy.

The protesters' discontent makes more sense, however, in light of a change in Chilean leaders' rhetoric that started about fifteen years ago. That was when, after decades of celebrating Chile's economic miracle on its own terms, leaders on both left and right began forecasting Chile's imminent arrival among the world's leading industrial democracies. Andrés Velasco, finance minister under Socialist President Michelle Bachelet, predicted in 2009 that by 2020 Chile would "reach the per capita income levels of a developed country." Four years later, Cristián Larroulet, top adviser to Bachelet's conservative successor, Sebastián Piñera, wrote that Chile "will probably become the first fully developed country in Latin America" by "the end of this decade." Piñera himself, at the start of his second term in 2018, reiterated his goal "to transform Chile into a developed country" by 2025.

Even if these projections seem like pipe dreams now, they weren't received as such at the time. Marcelo Giugale, the World Bank's director for poverty reduction in Latin America, agreed with Velasco's 2008 pronouncement

that Chile was “well on its way to become a developed country.” In 2018, the International Monetary Fund’s Western Hemisphere director, Alejandro Werner, opined that Piñera’s prediction was “not exaggerated.”

International organizations duly ratified Chile’s ascendancy. In 2010, Chile was the first South American country invit-

ed to join the Organization for Economic Cooperation and Development—an exclusive group of the world’s leading industrial nations.

It is hardly surprising that Chile’s slide into social turmoil began only after the country entered the OECD. By 2018, when Piñera was inaugurated for his second term, Chile’s per capita income was the highest in South America but the fourth-lowest of thirty-eight OECD countries. Measured by the Gini index, only four South American countries had less social inequality than Chile, but thirty-four OECD countries did.

On social services, the story was similar. According to PISA, a leading international measure of education quality, Chile had the highest-performing education system of any surveyed nation in Latin America, but one of the worst in the OECD.

The contrast between expectations and reality made the country a powder keg. “Chileans are anxious. They have been hearing for decades that they are close to becoming a First World country, and they want to have First World lives. If Mr. Piñera doesn’t deliver, he could face street protests that derail his economic plans,” wrote *Miami Herald* columnist Andrés Oppenheimer in 2018.

As it turned out, they derailed far more than Piñera’s plans. By October 2019, Chile’s major cities were in flames. While this new protest movement was ostensibly triggered by a subway fare hike in Santiago, its aims were far-reaching, targeting the legitimacy of the government itself.

“This and previous regimes sold a postcard of a country that does not exist,” one protest leader told the *Los Angeles Times*. The government had sought “to show that we live in a just and balanced country, but that’s not

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***After decades of celebrating Chile’s economic miracle on its own terms, its leaders began forecasting Chile’s imminent arrival among the leading industrial democracies.***

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***The protests weren’t over a thirty-peso subway fare hike, a protester said, but “thirty years of indifference and poverty.”***

real.” The protests weren’t over the thirty-peso subway fare hike, she went on, but “thirty years of indifference and poverty.”

Gabriel Boric now holds the presidency. Chile and the constitutional

government that helped it leapfrog its genuinely impoverished neighbors are in shambles. We don’t know how Chile’s saga ends, but one lesson for world leaders is already

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***Chile had the highest-performing education system of any surveyed Latin American nation, but one of the worst in the OECD.***

clear: be careful what stories you tell your citizens about themselves. They may believe you. ■

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# *This Technological Moment*

**Threats surge and data proliferate—and no one has enough time to analyze or respond. Testimony on the intel crisis.**

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**By Amy B. Zegart**

**A**merica's intelligence agencies perform an essential mission, and they are facing unprecedented challenges in today's technological age. I have spent thirty years researching American intelligence agencies. My newest book, *Spies, Lies, and Algorithms*, examines how emerging technologies are transforming the global threat landscape and the ability of our intelligence agencies to understand it. To summarize my findings in a sentence: this is an adapt-or-fail moment. Emerging technologies are profoundly disrupting the intelligence enterprise by generating what I call the “the five mores”: more threats to track, more speed at which intelligence must move, more data to analyze, more customers who don't have security clearances or work in the US government, and more intelligence competitors.

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*Amy B. Zegart is the Morris Arnold and Nona Jean Cox Senior Fellow at the Hoover Institution and a member of Hoover's working groups on national security and on intellectual property, innovation, and prosperity. She is also a co-chair of Hoover's Technology, Economics, and Governance Working Group. She is a senior fellow at the Freeman Spogli Institute for International Studies and professor of political science (by courtesy) at Stanford University. Her latest book is **Spies, Lies, and Algorithms: The History and Future of American Intelligence** (Princeton University Press, 2022).*

Although American intelligence agencies are taking important steps to rebalance resources and refocus from counterterrorism to great-power competition, those changes will not be enough. Without more far-reaching reforms, especially in science and technology workforce recruitment and the use of open-source intelligence, the US intelligence community will fall behind.

## **A TIME OF DISRUPTION**

Never have so many technologies changed so much, and so fast, at the same time. Internet connectivity has skyrocketed from less than 1 percent of the world's population in the 1990s to two-thirds of the world today. Artificial intelligence (AI) is disrupting nearly every industry, from the military to

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***The Pentagon and intelligence agencies are struggling to adopt commercial technologies at the speed of invention—not the pace of bureaucracy.***

medicine. Some estimate that AI could eliminate up to 40 percent of jobs worldwide in the next twenty-five years. Commercial satellite capabilities have increased dramatically, offering low-

cost eyes in the sky for anyone to detect events unfolding on Earth. Already more than five thousand satellites orbit the planet, with thousands more commercial satellites estimated to be launched in the next decade. Quantum computing could eventually unlock the encryption protecting nearly all the world's data, making even highly classified documents available to enemies. Synthetic biology is enabling scientists to engineer living organisms, paving the way for what could be revolutionary improvements in the production of food, medicines, data storage, and weapons of war.

Understanding the promise and perils of these and other emerging technologies is a vital intelligence mission. Policy makers need to know, for example:

Will the United States or China win key technological competitions? What are the likely effects?

How will future wars be fought and won?

How could new technologies address global challenges such as climate change?

How could adversaries use data and new technologies to coerce, commit atrocities, evade sanctions, develop weapons, undermine democracy, and secure advantages that harm American interests, threaten our freedoms, and endanger our citizens?



Answering these questions is getting harder because the landscape of American innovation has flipped. Technological breakthroughs like GPS and the Internet used to be invented by US government agencies and later commercialized by the private sector. Today, technological innovations are more likely to be invented in the private sector, where they are developed by a multinational workforce, funded by foreign investors, and sold to global customers.

Power isn't just shifting abroad. Power is shifting at home. In the past, the sources of national power were tangible assets like territory and military might that were controlled by governments. Increasingly, however, the sources of national power are intangible assets like data and technology that are controlled by the private sector.

American companies are developing capabilities that can be used by enemies they cannot foresee with consequences they cannot control. Meanwhile, the Pentagon and the intelligence community are struggling to adopt commercial technologies at the speed of invention instead of the pace of bureaucracy.

## AGENTS OF CHANGE

Emerging technologies are challenging US intelligence agencies in five ways.

» **More threats.** Technology is making the global threat list longer and harder to manage. For centuries, countries protected themselves by building powerful militaries and taking advantage of good geography. But in cyberspace, anyone can attack from anywhere. Small attacks can add up to strategic consequences. Cyber weapons can be used

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***Without more far-reaching reforms, the US intelligence community will fall behind.***

by the weak, not just the strong. And the United States is simultaneously powerful and vulnerable because we rely on digital systems and because our freedom of speech makes it possible for enemies to wage influence operations at scale.

» **More speed.** Emerging technologies are also accelerating the speed at which intelligence must move. In the 1962 Cuban missile crisis, President Kennedy had thirteen days to assess intelligence and decide on a course of action. On September 11, 2001, President George W. Bush had just thirteen hours after the first plane crashed into the World Trade Center to review intelligence and announce a response. Today, the time for presidents to

consider intelligence before making major policy decisions is closer to thirteen minutes, or thirteen seconds. As General Paul M. Nakasone noted in a recent public speech, “The world has moved to an era where the shift from competition to crisis to conflict can occur in weeks or days or even minutes rather than years.” Satisfying a policy maker’s need for timeliness while carefully collecting, vetting, and assessing intelligence is a delicate balance that is growing more challenging.

» **More data.** Intelligence analysts are drowning in data. Every second, the Internet transmits about a petabyte of data. That’s equivalent to the information a person consumes binge-watching movies nonstop for more than three years. In 2018, the intelligence community was capturing more than three NFL seasons’ worth of high-definition imagery a day on each sensor deployed to a combat theater. In 2020, one soldier deployed to the Middle East was so concerned about the crushing flow of classified intelligence e-mails he was receiving that he decided to count them. The total: ten thousand e-mails in one hundred and twenty days.

The intelligence community needs to adopt more automated analytics to help human analysts find needles in these exponentially growing haystacks, as well as derive more insights from the haystacks themselves. Already, private companies are using AI models to predict political instability and military exercises with high accuracy based on datasets of open-source indicators.

» **More customers.** Today, intelligence agencies must serve a wider array of customers who don’t hold security clearances, command troops, or work for the US government. Voters need intelligence about foreign influence operations seeking to polarize society and undermine elections. Tech company leaders and critical infrastructure executives need intel-

ligence about foreign cyber threats to and through their systems. And American national security increasingly

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## ***In cyberspace, anyone can attack from anywhere.***

depends on sharing intelligence faster and better with allies and partners. The success of this strategy has been on full display in Ukraine, where declassifying intelligence warned the world about Russia’s invasion, helped rally the allies behind a fast response, and raised the costs for countries like China to hide behind Putin’s lies and side with Russia. Yet producing intelligence products for a wider set of customers is still an unnatural act for agencies used to operating in secret.

» **More competitors.** Intelligence isn't just for government spy agencies anymore. The explosion of open-source information available online, the growth of commercial satellite capabilities, and the rise of AI have created an open-source intelligence revolution that is making new insights possible and creating a new global ecosystem of citizen-sleuths. Private individuals and groups have been tracking the Ukraine war in ways that were unimaginable in earlier conflicts. Journalists have reported battlefield developments using commercial satellite imagery. Former government officials have been monitoring on-the-ground daily events and offering over-the-horizon analysis on Twitter. A team of students at Stanford led by former US Army and

open-source imagery analyst Allison Puccioni has been using TikTok videos, commercial satellite thermal and electro-optical imaging,

geolocation tools, and more to uncover and verify human rights atrocities committed by Russian troops in Ukraine and report them to the United Nations.

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***The open-source revolution is here to stay. Agencies need to figure out how to harness its power, seize its opportunities, and mitigate its risks.***

In the nuclear realm, citizen-sleuths have used open-source intelligence to uncover China's new ICBM silo fields, determine the locations of North Korea's first nuclear tests, and quickly discover that the Iranian government was lying in 2020 when it claimed a suspicious fire damaged an industrial shed under construction. The shed turned out to be a nuclear centrifuge assembly facility at Natanz, Iran's main uranium enrichment site.

On the plus side, citizen-sleuths offer more eyes and ears scanning for developments and dangers. Unburdened by bureaucracy, open-source intelligence can move fast, and it can be shared without revealing sensitive sources and methods. But because citizen-sleuths don't have to answer to anyone or train anywhere, errors are more likely. Deliberate deception is, too.

Increasingly, American intelligence agencies will have to burn the most precious resource they have—time—checking facts and debunking the work of others. Even accurate findings can make crises harder to manage by publicizing information that backs leaders into corners and makes graceful exits and secret compromises more difficult. Open-source intelligence is also leveling the intelligence playing field—and not always in a good way.

## WHERE IMAGINATION LEADS

American intelligence agencies are working hard to meet these challenges, but success requires more wholesale reforms. Two important areas to consider are re-imagining science and technology workforce recruitment, and creating a new, open-source intelligence agency.

Even in the technological age, human talent is the most important ingredient for success. The intelligence community must recruit more officers with science and technology backgrounds to understand how emerging technologies are shaping the world and to adopt new technologies to improve collection and analysis. It also needs to win more hearts and minds in the private sector.

Intelligence agencies see the people who join their ranks. At Stanford, I see the ones who got away. There is a significant missed opportunity, especially with engineering students. Despite reform efforts, the current approach to hiring is outdated, slow, remarkably impersonal, and designed to hire employees for life. No first-rate technology company recruits talent that way. The intelligence community needs a modern recruiting approach with a human touch that makes candidates feel valued, moves in weeks or months rather than years, and is designed to create ambassadors, not lifers.

The open-source revolution is here to stay, and the intelligence community needs to find ways to harness its power, seize its opportunities, and mitigate

its risks. Incremental changes to agencies are unlikely to be enough. It is time to create a new, dedicated open-source intelligence agency.

Despite the intelligence community's best efforts,

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***Agencies must help human analysts find needles in exponentially growing haystacks, and also derive more insights from the haystacks themselves.***

open-source intelligence remains a second-class citizen because it has no agency with the budget, hiring power, or seat at the table to champion it. So long as open-source intelligence is embedded in secret agencies that value classified information more, it will languish.

An open-source intelligence agency would bring innovation, not just information. It could hire scientists and engineers without waiting for lengthy security clearances, and it could locate offices in tech hubs where engineers already live and want to stay—creating a cadre of technologists who move in and out of government more easily, increasing the intelligence community's

presence and prestige in the private sector and bringing a continuous stream of ideas back inside. It could help agencies adopt new collection and analysis technologies faster and better. And it would be ideally positioned to engage with leading open-source intelligence organizations and individuals outside of government to develop tradecraft and ethical standards and outsource more work to responsible nongovernmental partners—thus freeing up intelligence agencies to focus their unique capabilities on missions that nobody else can do. ■

*Special to the Hoover Digest. Adapted from testimony before the House Permanent Select Committee on Intelligence on February 28, 2023.*



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# The Tanks Roll On

**Tanks were created as a wonder weapon, then fell out of tactical fashion, and then—in skilled hands—were reborn as the very spirit of *Blitzkrieg*. Today, technology has given them new powers—and armored units continue to remain central to ground operations.**

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*By Peter R. Mansoor*

**W**e've heard it before—the tank is dead. The first time I read this statement was in the early 1980s, when an article in a major national newspaper trumpeted the results of the testing of the M712 Copperhead, a 155mm cannon-launched guided projectile with the capability to destroy a tank with a single round. As a soon-to-be commissioned armor officer, I considered this assertion no small concern. I needn't have worried. Twenty-six years later, after a full career that included having commanded a tank brigade in combat in Iraq, I retired from the US Army, and the tank was still very much alive. The Copperhead round, now relegated to military museums, hadn't killed it. Neither had the TOW antitank guided missile, the Hellfire, or more recently, the Javelin or suicide drones. Sure, these weapons have piled up an impressive record of

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armored-vehicle destruction, but commanders—most recently, Ukrainian—still clamor for tanks when close combat is involved.

The reason is not hard to divine. When a soldier is crossing the deadly ground that separates one army from another, it is better to be protected by an armored envelope than not. Tommies, poilus, doughboys, and soldiers from other nations learned this the hard way during the First World War by dying by the millions in often heroic but vain attempts to negotiate no-man's land protected by little more than a steel helmet and a cloth uniform. As early as 1914, both the French and the British militaries drew up conceptual plans and then experimented with armored tractors to cross the killing zone. The British army was the first to field production vehicles, with thirty-two tanks participating in the initial engagement on the Somme battlefield in September 1916. Of these, only nine made it across no-man's land to German lines. But there they were, impervious to artillery splinters and bullets, and capable of negotiating barbed wire entanglements and enemy trenches. The promise of armored warfare had been born.

Fourteen months later at the Battle of Cambrai, 437 tanks supported an attack by six British infantry divisions that succeeded in penetrating the vaunted Hindenburg

Line before stalling out because of lack of follow-up and German counter-attacks. The tanks of the Great War were vulner-

able to even rudimentary antitank weapons and were mechanically unreliable, but farsighted theorists saw in them the solution to the deadlock of trench warfare. Improved tank models appeared in 1918. Hundreds of tanks were used in each of the major Allied offensives that year. During the Battle of Amiens on August 8, 1918, six hundred tanks supported the British, Canadian, and Australian attack that shattered German forces in what General Erich Ludendorff called “the black day of the German army.” Prospective offensives in 1919 would have involved thousands of tanks, but the Armistice ended the conflict before they were needed.

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***Tanks alone are vulnerable on the battlefield unless used alongside other arms and services.***

## **AN ARMORED ARMS RACE**

What perceptive theorists learned from these experiences was tanks alone were vulnerable to antitank guns and artillery, but that tying tanks to the pace of infantry failed to take advantage of the mobility of armored vehicles. The forthcoming revolution in military affairs—a discontinuity in military

operations created by new technologies, doctrine, and organizations—was the creation of a mounted combined-arms formation that paired tanks with mechanized infantry, artillery, engineers, and air defense assets, and was supported overhead by fighters to gain and maintain air superiority and provide close air support when needed. The British army experimented with such a force on Salisbury Plain in 1927–28, but lack of funding retarded tank

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***The British army was the first to field production tanks, with thirty-two participating at the Somme in September 1916.***

design and British leaders suspended the experiments. Soviet experiments were likewise promising until Stalin's purges killed off most of the innovators in the mid-

to late 1930s. The French army, which had fielded more tanks than any other army in the Great War, instead put its faith in an artillery-centric “methodical battle,” epitomized by the Maginot Line, a 280-mile line of fortifications and obstacles along the Franco-German frontier.

Ironically, the German army, denied tanks by the Treaty of Versailles, conducted the most advanced conceptual work on combined-arms armored operations. Much of this work was done in secret in Russia in collusion with the Red Army, until Hitler's rise to power ended weapons development cooperation with the communist state. The creation of panzer divisions proceeded as German rearmament in violation of the Treaty of Versailles accelerated. Poland succumbed in just four weeks in September 1939, the Polish army bulldozed by the German army from the west and the Soviets from the east. Given the vast numerical and technological disparity between the Poles and

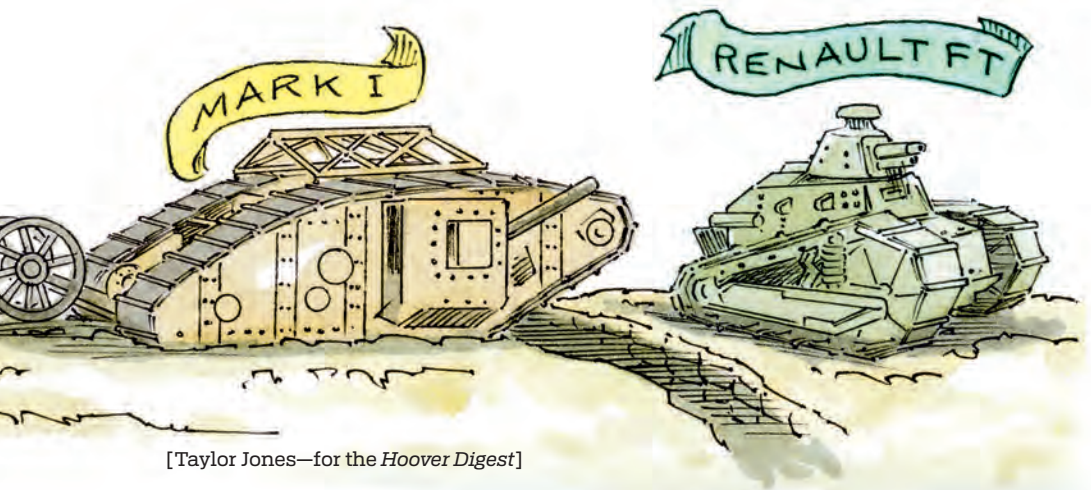


their enemies, that result was unsurprising to informed military analysts. But what came next shocked the world.

In just six weeks in May and June 1940, the Wehrmacht shattered the French army and its British, Belgian, and Dutch allies. The Germans employed eight of their ten panzer divisions in a surprise attack through the Ardennes Forest and across the Meuse River, destroying the French Second and Ninth Armies. General Heinz Guderian then directed his XIX Panzer Corps in a drive to the Channel coast, cutting off Allied armies in northern France and Belgium. The evacuation of the British Expeditionary Force at Dunkirk followed, and with it any chance of saving France. The rest of the campaign was a foregone conclusion. Armored warfare—or “blitzkrieg,” as it was dubbed by Western journalists—had come of age.

## PLAYING DEFENSE

As with any revolution in military affairs, it was only a matter of time before other militaries caught up to the Germans. The Soviets were caught unprepared for the 1941 German invasion, Operation Barbarossa, but had some surprises of their own in new tank models such as the T-34 and the KV-1 heavy tank that outclassed their German opponents. The Germans responded by upgunning their Mark III and Mark IV tanks and then, with further tank development, with Panther and Tiger tanks appearing on the battlefield in 1943. Tank armor and armament became thicker and more lethal in tandem with the introduction of larger antitank guns and handheld antitank weapons, such as the *Panzerfaust* and the bazooka, featuring shaped-charge warheads. The Soviet, British, and American armies all



[Taylor Jones—for the *Hoover Digest*]

created armored divisions that were more than a match for their German counterparts, especially when combined with potent close air support. As Allied armies rolled into Germany in the spring of 1945, armored forces ruled the battlefield.

For a quarter century after the end of World War II, nothing much happened to challenge the dominance of armored forces on the battle-

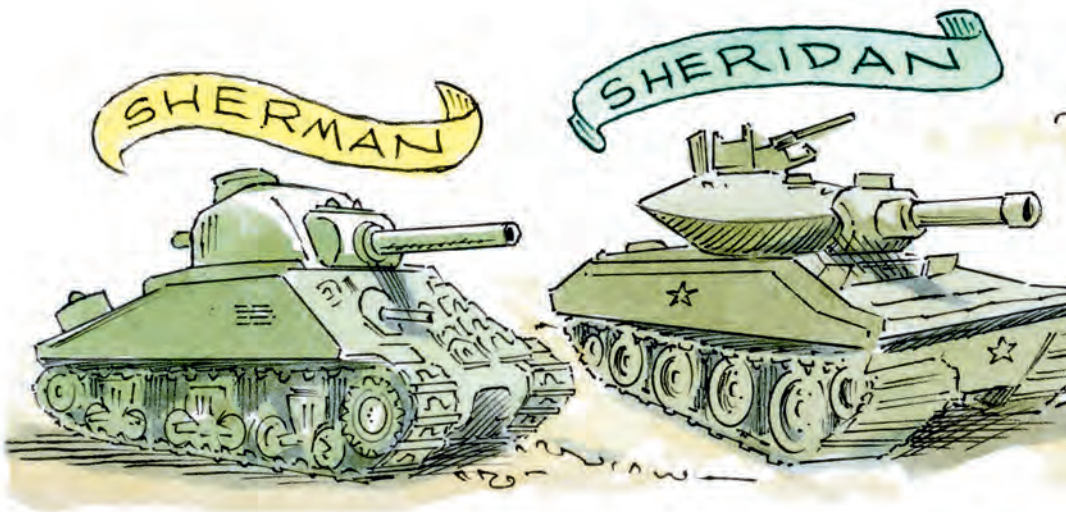
field. Israeli armored operations overwhelmed Egyptian, Syrian, and Jordanian forces in 1956 and again in 1967. The Yom Kippur War of 1973, however, witnessed the

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***The war in Ukraine is not the end of the tank. It is only the latest chapter in the continuing development of armored forces.***

introduction of wire-guided antitank missiles. Israeli tanks impaled themselves on Egyptian antitank defenses until Israeli commanders relearned the basics of combined-arms warfare—that tanks alone are vulnerable on the battlefield unless used in concert with other arms and services. With that lesson relearned, Israeli armies went on to defeat their adversaries, conquer the Golan Heights, and cross the Suez Canal into Africa.

The advent of guided munitions in the 1970s and 1980s threatened the dominance of the tank and armored vehicles on the battlefield. The advent of the Copperhead artillery round was a part of this development. But tanks and armored vehicles are only vulnerable if they lack protection. As

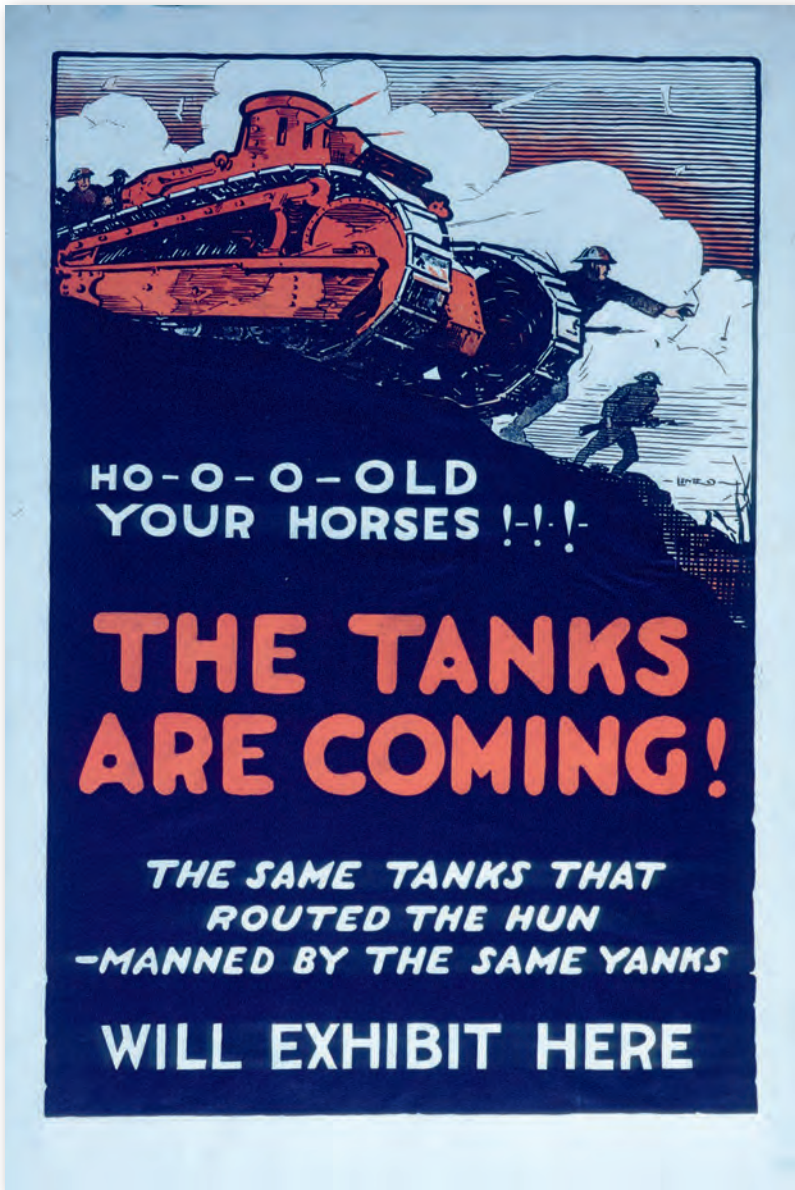




the lethality of antitank weapons has increased, so has the effectiveness of tank armor and armament in an action-reaction-counteraction cycle that continues to this day. Composite armor, reactive armor, and active protection systems have proven effective against many antitank weapons. Laser rangefinders, thermal sights, and larger main guns have increased the killing power of tank armament. The result has been devastating for armies on the losing end of the technological equation. With air supremacy to protect them from attack, US and Coalition armored forces destroyed the Iraqi army in Kuwait and Iraq in 1991 and again in 2003.

What the world is witnessing in Ukraine today is not the end of the tank, but rather the latest chapter in the continuing development of armored forces.





**PROMISE OF SURVIVAL:** *A World War I poster shows an early tank and infantrymen advancing alongside it. Designs for British and French armored tractors dated from as early as 1914, when the bleak realities of the Western Front began to come into focus. Though vulnerable and prone to breakdown, the tanks were seen as the eventual solution to endless trench warfare.* [Poster collection—Hoover Institution Library & Archives]

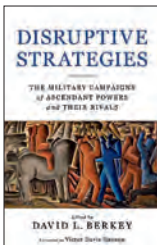
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Soldiers require mobile, protected firepower to close with and destroy the enemy. The alternative is a return to trench warfare, which is happening in the Donbas region and southern Ukraine today.

Offensive operations require mobile, protected firepower—in a word, tanks. That is why Ukrainian President Volodymyr Zelensky has pleaded for tanks from the West. His army cannot conduct mobile, combined-arms warfare without them. But tanks alone are not the answer—and they never have been. Rather, the answer to crossing the killing zone is the same as it has been since 1918: the use of armored, combined-arms forces that are protected from those weapons that are lethal against them.

Air defense forces, counter-drone systems, and anti-mine technology are crucial to ensuring the survival of armored forces on the battlefield. When armored forces are protected from these threats, they remain what they have been since the Battle of Cambrai in 1917—the king of the killing zone. ■

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# Shining Armor

**Russia poured immense numbers of tanks into Ukraine—and still suffered a stalemate. Sheer numbers of machines matter less than the ability to coordinate tactics.**

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**By H. R. McMaster**

If it takes a toothpick, use a baseball bat.

—Major General Ernest Harmon,

“Notes on Combat Actions in Tunisia and North Africa,” 1944

**A**s the character Sergeant “Oddball” (played by Donald Sutherland) told the character Private Kelly (played by Clint Eastwood) in the film comedy *Kelly’s Heroes* (1970), tanks “can give you a nice edge.” Tanks provide maneuvering forces with mobile protected firepower, an essential element of close combat overmatch. Overmatch in combat derives from the combination of capabilities that prevent enemy organizations from using their weapons or employing their tactics while enabling friendly forces to gain and maintain freedom of action and maneuver.

The tank’s precision firepower can overwhelm the enemy and create opportunities to maneuver. The tank’s protection allows it to take the brunt

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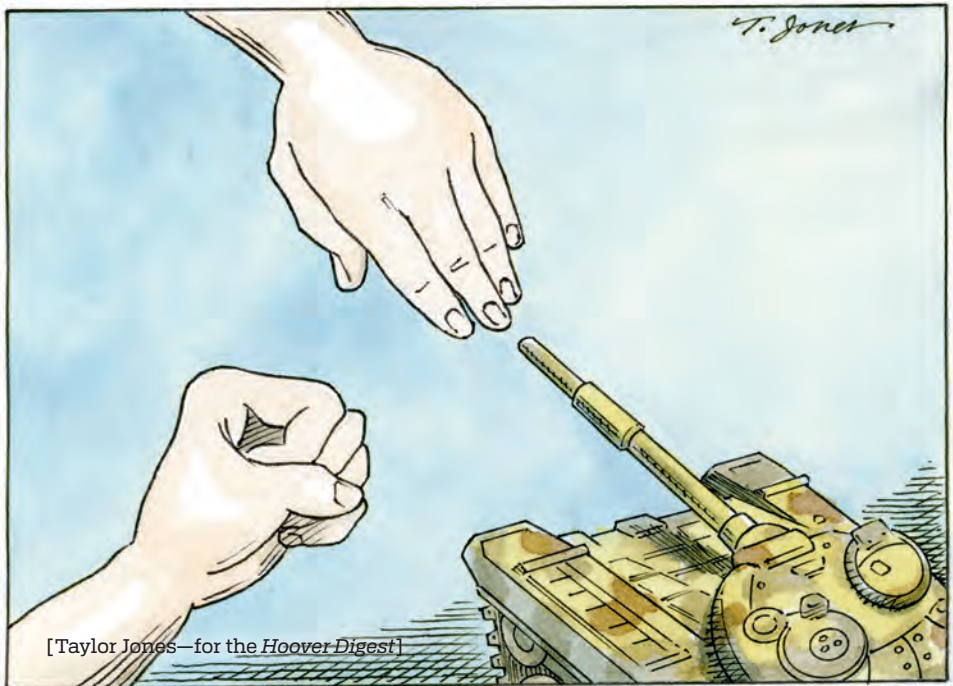


of the battle, survive attacks by a wide range of weapons, and help more-vulnerable infantry cross danger areas, close with the enemy, and deploy from positions of advantage. The tank's mobility allows armored forces to gain temporal, psychological, and physical advantages over the enemy by striking from unexpected directions and rapidly exploiting weaknesses either detected through reconnaissance or created through the combination of indirect and direct fires in close combat.

## RESTORING MOBILITY

It is important to remember that the tank was designed to defeat the machine gun and restore mobility to the World War I battlefield. Without tanks, even the most modern land forces are forced to re-enact the stalemate and battlefield carnage of the Western Front. Since World War I, the tank has been and remains essential to effective combined-arms, air-ground operations.

Some observers argued that the large numbers of tanks destroyed by Ukrainian defenders during the failed Russian assault in the spring of 2022 augured the twilight of the tank. But Russian ineptitude in combined-arms operations and deficiencies in reconnaissance explains the heavy losses.



Combined-arms operations are analogous to the children’s game of rock, paper, scissors. In close combat, fires, mobile protected firepower, and infantry must be used to present the enemy with multiple types of attack

simultaneously or in quick succession. The enemy, responding to one threat, becomes vulnerable to another. For instance, as an enemy disperses and seeks cover in response

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***Without tanks, even the most modern land forces are forced to re-enact the stalemate and battlefield carnage of the Western Front.***

to the “rock” of artillery, rocket, or aerial fires, he becomes vulnerable to the “paper” of a rapid armored penetration that places assets of value at risk (e.g., command posts, logistics bases, or artillery formations). As the enemy concentrates or maneuvers to protect those assets he becomes vulnerable to the “scissors” of infantry ambushes and fires protecting the salient as the “paper” (i.e., armored forces) continues to roll forward and wreak havoc in the enemy’s rear. No single arm is decisive; competent commanders employ all arms in ways that magnify their individual strengths and compensate for their weaknesses.

The Russians displayed ineptitude in combined-arms operations as well as an inability to conduct reconnaissance. Instead of making contact with Ukrainian defenders on their own terms, they blundered into prepared anti-armor ambushes and lacked sufficient numbers of trained infantry to secure choke points in urban and restrictive terrain.

## **THE FUTURE OF CLOSE COMBAT**

Others have assumed that the “pivot to Asia” and the growth of precision long-range weapons have rendered not only the tank, but also close combat

itself, unnecessary in future wars. The US Marine Corps, zealously embracing that assumption, has divested its tanks in favor of long-range missiles. But the

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***Russian ineptitude in combined-arms operations and deficiencies in reconnaissance explain the heavy losses of spring 2022.***

war in Ukraine reveals that wars are still decided on land because people live there and winning in war requires control over territory and populations to achieve a sustainable political outcome.





***FORWARD: A child perches on a tank destroyed by Ukrainian armed forces in Kyiv. Some observers argued that the many tanks lost during the failed Russian assault in spring 2022 were evidence of obsolescence. Deficiencies in tactics and reconnaissance were more likely factors.*** [Mario Coll—ZUMA Press]

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Moreover, technological countermeasures such as GPS jamming, counter-satellite, offensive cyber, and electromagnetic warfare capabilities as well as tactical countermeasures such as dispersion, concealment, and deception limit the effectiveness of precision weapons. Ukrainians are incorporating tiered and layered air defenses that permit them to shoot down the “arrows” (i.e., Russian missiles and drones) as well as strike the “archers” (i.e., Russian launchers). Cover—protection from enemy fire provided by materials such as steel, concrete, water, packed earth, and thick wood—limits the effectiveness of massed artillery fires such that close combat is necessary to dislodge a defending enemy.

For example, by the winter of 2023, the Ukrainian city of Bakhmut was in rubble, but Russian infantry continued to impale themselves on Ukrainian defenses in World War One-style assaults. Unsupported by armor, the Russians traded thousands of casualties for hundreds of meters of ground. Given the Russian experience, the Marine Corps might want to reconsider its force design lest it be consigned to re-enacting the 1918 Battle of Belleau Wood.

The best argument for the tank may be to consider what combat experience looks like without well-trained, capable armored forces. Armored forces

take far fewer casualties than forces without armored protection. That was the conclusion of the US Army's exhaustive 2018 study of the Russian invasion of eastern Ukraine in 2014. Then, as in the intense combat that Ukraine has experienced since the re-invasion in February 2022, most casualties

have been from shrapnel wounds inflicted on soldiers in unprotected vehicles. It may be possible for close combat formations unsupported

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***Armored forces take far fewer casualties than forces without armored protection.***

by tanks to win battles. But they would win those battles at an exorbitant cost and be unable to convert tactical success into operational success and strategic decision through sustained offensive operations.

Armored forces are essential to close combat overmatch and the ability to achieve lopsided victories through seizing and exploiting the initiative. Winning without tanks means a fair fight. And even winning a fair fight in combat is an ugly proposition. ■

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# *A Commander's Philosophy*

**Optimism, the belief that hard work will yield results, a certain trust in a bright future. These produce economic growth—and also make for successful military units.**

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***By Arun Shankar***

**A**merica is guided by the tenets of human prosperity, under which citizens expect a bright future, a self-determined fate, a safe and secure society, and a clean and healthy environment. A strong military command relies on the same principles. This essay examines this premise and shows its great value as a universal command philosophy.

People contribute the most to society when they have an optimistic view of their own prospects and those of their country. This optimism is rooted in a national spirit guided by those elected officials who understand their role to be leaders rather than messengers; they do more than convene focus groups and launch fleeting initiatives to win re-election. Instead, these leaders are principled in their approach and use noteworthy historical lessons to support goals that genuinely advance the country. As a result, individuals remain confident about their nation and themselves, and this outlook promotes progress and innovation.

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Commanders owe their Marines this same ethic of leadership. They must shape an environment where success is defined with clarity, especially among heterogeneous populations whose upbringing and cultural values vary widely. This begins with true equality of opportunities for everyone in the unit. All Marines should be availed of chances to excel, and successes should be rewarded. This is not to be mistaken with equality of outcomes, where individuals are evenly rewarded regardless of work output. Equality of outcomes incentivizes mediocrity rather than merit and often results in the departure of top-tier Marines after their first contract, both in enlisted and officer ranks.

The pride of the unit also drives a bright outlook. Individuals who embrace a unit's triumphant history will more likely look for excellence from each

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***Universal fairness combines with mission clarity to inspire creativity, innovation, and work ethic.***

other. In fact, I have found unit pride to be much more indicative of success than a clear understanding of the unit's purpose.

Simon Sinek, author of

*Start with Why: How Great Leaders Inspire Everyone to Take Action*, has inundated corporate America and military leaders with the idea that the individual's understanding of the organization's purpose is the most crucial element of organizational success. Though most agree that the commander's intent is imperative, Marines do not serve the commander's intent: they serve each other, their unit, and their country. No amount of commander's intent can overcome disdain for a unit or its culture, but Marines will accomplish any task, regardless of clear intent, if they love their unit and their fellow Marines. Start with *who*, not *why*.

Allies and partners also contribute to a society's bright future outlook. In the global view, and in contrast to nativism or isolationism, cooperation among allies prevents unnecessary wars and creates economic interdependence where more people benefit from free markets. Alliances enhance the country's interests abroad and maintain a balance of power. By the same token, no military unit can succeed without internal and external cooperation. Marines within a unit need bonds and friendships to withstand the friction of war. Individual units support each other as main and supporting efforts in the battle space. Moreover, the Marine Corps cooperates with all other branches of service as part of the larger Joint Force. This unity allows America to have the finest military force in the world. Most importantly, these ties, at all levels, promote optimism among individuals.

Lastly, a bright future depends on a steady, predictable environment. A commander's unwavering philosophy and guidance help create this certainty for his Marines. Like a constitution, these enduring principles form nonnegotiable terms upon which the unit will function. A unit is not at its best if the environment is constantly uncertain, with similar actions leading to varying outcomes. This is especially frustrating when it is caused by preventable, internal friction, usually centered around a lack of planning. This results in unnecessary stresses and unstable environments, refocusing individuals on a dismal present rather than a bright future.

## **SELF-DETERMINATION**

People perform optimally when they have control over their own lives. Their informed choices should primarily drive their outcomes. Government leaders provide essential services, and state and local governments create and enforce laws that are relevant and important to their own citizens, yet still within the framework of federal guidance. But free, efficient markets should enable the bulk of choices for an individual's needs. Results are then rewarded equitably within these markets.

Self-determination might not spring to mind as a feature of a military environment. Stereotypical military cultures are top-down organizations with absolute rulers issuing orders followed by obedient subordinates. This is not, in fact, how commanders are taught to lead. Instead, Marines thrive on centralized responsibility and decentralized authority. In this model, subordinates can determine and execute the implied tasks to accomplish a mission

upon the issuance of clearly understood guidance. There are incentives for free thinking and imagination.

Leaders emerge, and innovators are rewarded, much as in a free market society. Both environments promote a genuine desire to excel within the organization.

Fairness and inclusivity also play a role. All Marines, regardless of race, gender, or religious affiliation, deserve a clear understanding of the path to success. Moreover, they deserve leaders who will coach and mentor them toward that goal. This is best accomplished when commanders truly prioritize the warfighting mission, often in a field or deployed environment. In such settings, the mission is highly demanding of everyone. This universal

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***A commander's philosophy harmonizes with the tenets of human prosperity.***

fairness, combined with mission clarity, inspires creativity, innovation, and work ethic. High performers can then emerge without controversy.

This type of training helps to explain why Marines hike, exercise, and focus relentlessly on discipline, concepts that can become frustrating to Marines in garrison without practical field application.

“Talent management” is a term that is in vogue today across the entire Joint Force. It is intended to inspire self-determination, and it implies that servicemembers should be placed in jobs where they can best contribute to the organization. Sadly, this is often misinterpreted as a replacement for talent *development*. Some leaders believe talent management relies on preordained career paths that no longer require active leadership from more senior personnel. This, in turn, has refocused some middle managers to focus too much on troop welfare over mission accomplishment; they assume talent management will automatically address the mission. For instance, a young NCO or officer who initially struggles with leadership should not immediately be shunted into a clerk role under the guise of talent management. Instead, they should be developed into leaders until they succeed or fail. On the other hand, a Marine who succeeds in generic leadership billets should also be challenged in technical staff duties, adding crucial versatility to the organization. The expeditionary nature of the Marine Corps depends on the adaptability of Marines in various environments.

Talent management, while it is meant to uphold and encourage self-determination from individuals, should not excuse seniors from their customary role as leaders.

## **SAFETY AND SECURITY**

A key element of America’s prosperity is the safety and security of its citizens. Law enforcement and regulatory agencies benefit Americans, while criminals face consequences that prevent recidivism and deter others from similar behavior. Moreover, community leaders actively discourage crime and corruption by creating incentives for honest, productive behavior.

Safety also includes protection from disease, natural disasters, unsafe working environments, shoddy construction, unethical business dealings, unhealthy food, untested medications, infrastructure failures, and many other problems. Licensing and inspections help to ensure this protection. When people feel safe in their communities and trust their governments and financial institutions to be free of corruption, they can focus their attention on generating value for their society.



Commanders are charged with a similar mandate through force protection, one of six warfighting functions that every warfighting commander must execute. Within this effort, commanders enforce a drug-free environment void of theft, assault, or other criminal behaviors. Leaders at all levels have incentives to actively identify and dispose of servicemembers who do not adhere to these principles. Local commanders are provided the necessary authority, through the Uniform Code of Military Justice, to adjudicate such crimes with various sentencing measures, including confinement.

Occupational safety also falls within a commander's purview. High-risk activities with aircraft, heavy equipment, high voltage, or other physical dangers require thorough risk mitigation before execution. Marines need to be assured that their lives

are not unnecessarily put at risk, particularly in a training environment, or they cannot confidently execute their specialized

tasks. Commanders create a safe culture by allowing participants to cease training if they witness an unsafe act, and by rewarding Marines who prevent unsafe outcomes.

Civil societies depend on adequate sanitation services and public health resources. Waste management, water purification, and vaccine programs are part of this effort. Healthy lifestyles are encouraged through education, preventable diseases are quelled, and life expectancy is maximized. This enhances the human condition, allowing for growth and innovation.

Commanders have similar responsibilities within the Marine Corps. Weekly barracks and workspace inspections are central to ensuring a clean environment, free of mold or toxins. A slew of required vaccines and medical checkups safeguard against future diseases. COVID protocols prevented the spread of illness during the pandemic. Water and food are tested against consumption standards and expiration dates, particularly in deployed and field settings. Concurrently, strict diet and exercise regimens are directed and enforced. Collectively, these actions maximize the overall health and readiness of every warrior.

## **GUIDANCE FOR ALL**

The tenets of human prosperity apply equally in a governed society and a military unit. In both environments, they enhance the human condition by promoting free thinking and rewarding innovation. A bright future inspires a

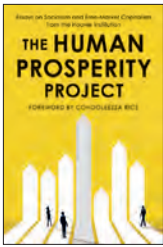
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***Both civil society and the military create incentives for honest, productive behavior.***

desire to improve the status quo. Self-determination ensures that individuals control their own fate. Safety and security allow individuals to focus on specialized contributions rather than their own self-defense. Clean and healthy environments reduce the impact of preventable diseases and other risks to public health. Together, these elements provide a culture of warfighting and military service in which members thrive.

Future conventional warfare will depend more than ever before upon decentralized operations and subordinate leadership. Under chaotic circumstances, young NCOs and company-grade officers will require durable, steady direction. The tenets of human prosperity will aim individuals toward their optimal outcomes for the greater good of the unit and the mission. ■

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# Home Is a Cabin

**A quiet retreat, a small town, and a path to healing for wounded warriors and their families.**

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**By Deborah Hanagan**

Since the terrorist attacks of September 11, 2001, the United States has deployed hundreds of thousands of military personnel to hostile areas for more than twenty years. Most Americans are familiar with the conflicts in Afghanistan and Iraq. They are less familiar with the troops sent to hostilities in Africa or the broader Middle East. While Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom ended long ago (in 2014 and 2010, respectively), there are still two ongoing military operations: Operation Inherent Resolve, a multinational coalition operating in Syria against Islamic State forces, and Operation Juniper Shield, a counterterrorism effort targeting Al-Qaeda, Islamic State, Boko Haram, and Al-Shabab in various African countries. These deployments have not been without human cost for Americans.

Some would say the measure of a civilized society is how well it cares for its military veterans, particularly the grievously wounded. While the Department of Veterans Affairs has provided critical medical care since 2001, there are unprecedented long-term needs for care and support for both the veterans and their families.

According to the Department of Defense, as of October 2022, just over 5,470 service members had been killed in combat in the various military

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theaters since 2001. In the same period, 53,337 service members had been wounded in combat. Thanks to advances in military medicine over the past two decades, more of the combat wounded have survived their injuries than ever before. But this also means there is an enduring legacy of the wars via the shattered lives of tens of thousands of veterans.

It is a credit to American society that so many private and nonprofit efforts have sprung up over the past two decades. Some have been around for a while and are well known, such as the Wounded Warrior Project. Begun in 2003 to provide comfort at hospital bedsides, it expanded into mental health assistance, career counseling, and long-term rehabilitative care. It reports that it has aided hundreds of thousands of veterans and their families. The Semper Fi & America's Fund was also started in 2003. It was launched by

military spouses at Camp Pendleton to provide care and assistance to wounded Marines and sailors returning from Iraq. It has since expand-

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***Operation Black Hills Cabin and the Custer community show that small, local efforts matter.***

ed and serves critically wounded, ill, and injured service members from all the branches of service, as well as military families. It provides financial assistance during the initial hospitalization, as well as long-term rehabilitation support after the veteran's transition to civilian life. It says it has served 29,000 service members and veterans.

Other efforts are smaller, more recent, and more focused. For example, Mission 22 was created in 2013. Its efforts are oriented toward helping veterans living with post-traumatic stress disorder and traumatic brain injury or who are suicide risks. Its programs are holistic, focusing on long-term wellness for the veterans and their families. This nonprofit also coordinates local events and outreach to raise awareness in the community. It reports that it has served 5,801 veterans and their families.

## **AN EMBRACE**

Operation Black Hills Cabin is another of the more recent nonprofit efforts to support wounded veterans. It is unique because it embodies the effort of an entire small town.

The brainchild of a retired Air Force couple in 2011, the cabin concept was quickly embraced by both the people of Custer, South Dakota, and the surrounding communities because it was a tangible way for the community to thank the veterans and their families for their service and sacrifice.



***RETREAT: The cabin run by a nonprofit group in Custer, South Dakota, is meant to provide a therapeutic respite to combat-wounded veterans and their families. The cabin is open from Memorial Day through September, and families stay for free.*** [Operation Black Hills Cabin]

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Operation Black Hills Cabin is a 501(c)(3) nonprofit that operates entirely from donations and volunteers—every contribution, whether monetary or material, goes to either the cabin or the supported families. The mission of the cabin is to provide a therapeutic respite to combat-wounded veterans and their families. It provides an opportunity, via a weeklong retreat, for the disabled veterans to reacquaint themselves with their families in a quiet, peaceful, and leisurely environment, far away from the stress and daily routine that has become their “new normal.”

The fully disabled-accessible 1,200-square-foot cabin, with three bedrooms and two bathrooms, was donated by the South Dakota Housing Development Authority. Built by state prison inmates, one of whom was so inspired by the nonprofit’s mission that he donated his weekly pay, it was escorted by the Patriot Guard Riders the entire 375-mile journey to Custer. Volunteers built a healing hike on the one-acre property, which is leased from the city of Custer for \$1 a year, that includes benches at scenic overlooks and inspirational quotes sandblasted into rocks along the path.

The families stay at the cabin for free, and while it has no television, Internet, or telephone, it is furnished and has a fully stocked kitchen and laundry. A welcoming committee meets each family and explains the wide variety of potential activities available to them. Options include watching the abundant local wildlife, playing a variety of indoor and outdoor

games, or exploring the Black Hills. The local business community has enthusiastically supported the cabin and the families receive coupons

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***Thanks to medical advances, more of the combat wounded have survived their injuries than ever before.***

for free meals and free admission to many popular Black Hills attractions, such as Mount Rushmore, the Crazy Horse Memorial, and Custer State Park. The cabin operates from Memorial Day to the end of September and can host up to seventeen families a year. Since its beginning in 2011, one hundred thirty-nine families from thirty-six states have stayed at the cabin.

The biggest challenge Operation Black Hills Cabin currently faces is getting the word out about this unparalleled opportunity for qualified veterans. To qualify, a veteran has to be a minimum of 30 percent combat-injured from any post-September 11, 2001, military operation. Those served by Army Recovery Care Program and Soldier Recovery Units are also eligible. Qualified veterans can apply at any time; the application and further information about Operation Black Hills Cabin are online at [www.operationblackhillscabin.org](http://www.operationblackhillscabin.org).

Every family that stays in the cabin provides evidence of its value. One family said, “We would like to thank Operation Black Hills Cabin, the donors, and the people of Custer. Your generosity and the love you have for veterans and their families are incredibly touching.” Another family said,

“This was a life-changing experience . . . it was exactly the family respite we needed to disconnect

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***National security is tied to how a nation cares for its servicemembers.***

and reconnect.” A third said, “My family was blown away by how this community comes together to support and provide us and every veteran and family this opportunity.” Another veteran echoed the sentiment in 2022, “Our family received a one-of-a-kind message of gratitude for our service to this country. Never in our lives have we felt this kind of sincere thank you for our service to this country.”



## HEALING

Thus, while large nonprofit organizations can benefit large numbers of veterans, small towns with a big heart like Custer can be just as valuable to the wounded veterans and their families. Operation Black Hills Cabin and the Custer community exhibit the best attributes of American culture and traditions and serve as a living example that small, local efforts matter. This outreach also shows that American society has advanced from gestures like a yellow ribbon on a tree, displayed during Operation Desert Shield/Operation Desert Storm in 1990–91, to concrete and enduring support for wounded veterans and their families.

In fact, US national security is built not just on identifying threats and enemies and taking economic, diplomatic, and military measures to confront them. It is also tied to how the nation cares for the servicemembers who have fought, died, and been wounded on the front lines, because it is critical for the sustaining of an all-volunteer force. Young people today look at how wounded warriors are cared for. If they see a nation that does not care about the shattered lives and shattered families, why should they join? The efforts of communities like Custer, South Dakota, show that American society still honors the service and sacrifices made by our armed forces and is willing to provide support long after the fighting is over. ■

*Special to the Hoover Digest.*



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# *It's a Small War— for Now*

**When small conflicts grow big: what we can learn from the twentieth-century clashes that metastasized into world war.**

**By Niall Ferguson**

**W**ar is hell on earth—and if you doubt it, visit Ukraine or watch Edward Berger's *All Quiet on the Western*

*Front*, Netflix's gut-wrenching adaptation of Erich Maria Remarque's classic antiwar novel of 1929.

Even a small war is hellish for those caught up in it, of course. But a world war is the worst thing we humans have ever done to one another. In a memorable essay published last year in the *Spectator*, Henry Kissinger reflected on “how to avoid another world war.” In 1914, “The

## **Key points**

- » War is history's favorite driver of inflation, debt defaults—even famines.
- » The two world wars were preceded by multiple smaller conflicts.
- » The twentieth century taught that technology and natural resources were potent weapons in war. But they did not translate into effective deterrence.
- » Cold war strategy has resurfaced in all but name.

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nations of Europe, insufficiently familiar with how technology had enhanced their respective military forces, proceeded to inflict unprecedented devastation on one another.” Then, after two years of industrialized slaughter, “the principal combatants in the West (Britain, France, and Germany) began to explore prospects for ending the carnage.” Even with US intermediation, the effort failed.

Kissinger posed an important question: “Does the world today find itself at a comparable turning point [like the opportunity for peace in 1916] in Ukraine as winter imposes a pause on large-scale military operations there?” The question is whether there is a way to end this war, or whether it is destined to grow into something much larger.

As Kissinger rightly points out, two nuclear-armed powers are currently contesting the fate of Ukraine. One side, Russia, is directly engaged in conventional warfare. How-

ever, the United States and its allies are fighting indirectly by providing Ukraine with what Alex

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***A world war is the worst thing we humans have ever done to one another.***

Karp, chief executive of Palantir Technologies, calls “the power of advanced algorithmic warfare systems.” These are now so potent, he recently told David Ignatius of the *Washington Post*, that they “equate to having tactical nuclear weapons against an adversary with only conventional ones.” Take a moment to ponder the implications of that.

## **WAR IS INTERESTED IN YOU**

War is back. Could world war also make a comeback? If so, it will affect all of our lives. In the second interwar era (1991–2019), we lost sight of the role of war in the global economy. Because the wars of that time were small (Bosnia, Afghanistan, Iraq), we forgot that war is history’s favorite driver of inflation, debt defaults—even famines. That is because large-scale war is simultaneously destructive of productive capacity, disruptive of trade, and destabilizing of fiscal and monetary policies.

But war is as much about the mobilization of real resources as it is about finance and money: every great power needs to be able to feed its population and power its industry. In times of high interdependence (globalization), a great power needs to retain the option to revert to self-sufficiency in time of war. And self-sufficiency makes things more expensive than relying on free trade and comparative advantage.

Throughout history, the principal source of power is technological superiority in armaments, including intelligence and communications. A critical

question is therefore: what are the key inputs without which a state-of-the-art military is unattainable? In 1914, they were coal, iron, and the manufacturing capacity to mass-produce artillery and shells, as well as steamships. In 1939, they were oil, steel, aluminum, and the manufacturing capacity to mass-produce artillery, ships, submarines, planes, and tanks. After 1945, it was all of the above, plus the scientific and technical capacity to produce nuclear weapons. Today, the vital inputs are the capacity to mass-produce high-performance semiconductors, satellites, and the algorithmic warfare systems that depend on them.

What were the principal lessons of the twentieth-century world wars? First, the American combination of technological and financial leadership, plus abundant natural resources, was impossible to beat. Second, however, the dominant Anglophone empires were poor at deterrence. The United Kingdom failed twice to dissuade Germany and its allies from gambling on world war. This was mainly because Liberal and Conservative governments alike were unwilling to ask voters for peacetime sacrifices, and they failed at statecraft. The result was two very expensive conflicts that cost much more in life and treasure than effective deterrence would have—and left Britain exhausted and unable to sustain its empire.

The United States has been the dominant Anglophone empire since the Suez Crisis of 1956. Under the threat of nuclear Armageddon, the United States successfully deterred the Soviet Union from advancing its Marxist-Leninist empire in Europe much beyond the rivers Elbe and Danube. But

America was relatively unsuccessful at preventing the spread of communism by Soviet-backed organizations and regimes in what was then known as the Third World.

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***In the second interwar era (1991–2019), wars were small. We lost sight of the role of war in the global economy.***

The United States is still bad at deterrence. Last year, it failed to deter Vladimir Putin from invading Ukraine, mainly because it had low confidence in the Ukrainian defense forces it had trained and the Kyiv government that controlled them. The latest objective of American deterrence is Taiwan, a functionally autonomous democracy that China claims as its own.

## **PRELUDE TO A STALEMATE**

Last October, President Biden's administration belatedly published its National Security Strategy. Such documents are always the work of a



***FAILURES: In 1938, Nazi leader Adolf Hitler held talks in Munich with British Prime Minister Neville Chamberlain, at right. The resulting agreement has become synonymous with “appeasement”—a catastrophic failure of statecraft and an inability to deter aggression.*** [Wikimedia Commons]

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committee, but internal dissonance shouldn't be this obvious. “The post–Cold War era is definitively over,” the authors declared, “and a competition is under way between the major powers to shape what comes next.” However, “we do not seek conflict or a new Cold War.” The major powers were said to have “shared challenges” such as climate change and COVID and other pandemic diseases.

On the other hand, “Russia poses an immediate threat to the free and open international system, recklessly flouting the basic laws of the international order today, as its brutal war of aggression against Ukraine has shown.” China, meanwhile, is “the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military and technological power to advance that objective.”

So, what will the United States do to check these rivals? The answer sounds remarkably similar to what it did in Cold War I:

“We will assemble the strongest possible coalitions to advance and defend a world that is free, open, prosperous, and secure.”

“We will prioritize maintaining an enduring competitive edge over the PRC while constraining a still profoundly dangerous Russia.”

“We must ensure strategic competitors cannot exploit foundational American and allied technologies, know-how, or data to undermine American and allied security.”

In other words: form and maintain alliances and try to prevent the other side from catching up technologically. This is a cold war strategy in all but name.

US support for Ukraine since the 2022 invasion has undoubtedly succeeded in weakening Putin’s regime. The Russian military has suffered disastrous losses of trained manpower and equipment. The Russian economy may not have contracted by as much as Washington hoped (a mere 3.4 percent last year, according to the International Monetary Fund), but Russian imports have crashed because of Western export controls. As Russia’s stock of imported component parts and machinery runs down, Russian industry will face deep disruptions, including in the defense and energy sectors.

Last year, Russia cut off gas exports to Europe that it cannot reroute, as

there are no alternative pipelines. Putin thought the gas weapon would allow him to divide the West. So far, it has not worked. Russia also tried

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***The twentieth century showed that the Anglophone nations were bad at deterrence. The United States still is.***

choking Black Sea grain exports. But that lever had little strategic value, as the biggest losers of the blockade were poor African and Middle Eastern countries.

The net result of Putin’s war thus far has been to reduce Russia to something like an economic appendage of China, its biggest trading partner. And Western sanctions mean that what Russia exports to China is sold at a discount.

There are two obvious problems with US strategy, however. The first is that if algorithmic weapons systems are the equivalent of tactical nuclear weapons, Putin may eventually be driven to using the latter, as he clearly lacks the former. The second is that the Biden administration appears to have delegated to Kyiv the timing of any peace negotiations—and the preconditions the Ukrainians demand are manifestly unacceptable in Moscow.





***FUTURE THREATS: US Air Force personnel salute the crew of a B-2 Spirit bomber as it taxis onto the runway at Andersen Air Force Base, Guam. In contrast to the World War II years, today the “arsenal of democracy” is confronted by arsenals of autocracy.*** [Senior Airman Jovan Banks—US Air Force]

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The war therefore seems destined, like the Korean War in Cold War I, to drag on until a stalemate is reached, Putin dies, and an armistice is agreed that draws a new border between Ukraine and Russia. The problem with protracted wars is that the American and European publics tend to get sick of them well before the enemy does.

## **FORMIDABLE CHINA**

China is a much tougher nut to crack. Whereas a proxy war is driving Russia’s economy and military back into the 1990s, the preferred approach to China is to stunt its technological growth, particularly with respect to—in the words of national security adviser Jake Sullivan—“computing-related technologies, including microelectronics, quantum information systems, and artificial intelligence,” and “biotechnologies and biomanufacturing.”

“On export controls,” Sullivan went on, “we have to revisit the long-standing premise of maintaining ‘relative’ advantages over competitors in certain key technologies. We previously maintained a ‘sliding scale’ approach that

said we need to stay only a couple of generations ahead. That is not the strategic environment we are in today. Given the foundational nature of certain technologies, such as advanced logic and memory chips, we must maintain as large of a lead as possible.”

Sanctions on Russia, argued Sullivan, had “demonstrated that technology export controls can be more than just a preventative tool.” They can be “a new strategic asset in the US and allied toolkit.” Meanwhile, the United States is going to ramp up its investment in home-produced semiconductors and related hardware.

The experience of Cold War I confirms that such methods can work. Export controls were part of the reason the Soviet economy could not keep pace with the United States in information technology. The question is whether this approach can work against China, which is as much the workshop of the world today as America was in the twentieth century, with a far broader and deeper industrial economy than the Soviet Union ever achieved.

Can arresting China’s development really be how the United States prevails in Cold War II? True, recent Commerce Department restrictions—on

the transfer of advanced graphics processing units to China, the use of American chips and expertise in Chinese supercomputers, and the export to China of chip-making technology—pose

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***The Biden administration must be exceedingly careful not to press economic warfare so aggressively that China finds itself in the position of Japan in 1941.***

major problems for Beijing. They essentially cut off China from all high-end semiconductor chips, including those made in Taiwan and Korea, as well as all chip experts who are “US persons,” which includes green-card holders as well as citizens.

Chinese President Xi Jinping cannot conjure up overnight a mainland clone of Taiwan Semiconductor Manufacturing Company, which leads the world in the sophistication of its chips. Nor can Xi expect that TSMC would conduct business as usual if China launched a successful invasion of Taiwan. Yet China has other cards it can play. It is dominant in the processing of minerals that are vital to the modern economy, including copper, nickel, cobalt, and lithium. In particular, China controls more than 70 percent of rare-earth production, in terms of both extraction and processing. These minerals are used to make components in devices such as smartphones, electric vehicles, solar panels, and semiconductors.

America's Achilles' heel is often seen as its unsustainable fiscal path. At some point in the coming decade, according to the Congressional Budget Office, interest payments on the federal debt are likely to exceed defense spending. Yet the bigger American vulnerability may be in the realm of resources rather than finance. The United States long ago ceased to be a manufacturing economy. It has become a great importer from the rest of the world. As Matthew Suarez, a Marine lieutenant, points out in an insightful essay at *American Purpose*, that makes the nation heavily reliant on the world's merchant marine. "Setting aside the movement of oil and bulk commodities," Suarez writes, "most internationally traded goods travel in one of six

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***China is the workshop of the world, with a far broader and deeper industrial economy than the Soviet Union ever had.***

million containers transported in approximately 61,000 ships. This flow of goods depends on an equally robust parallel flow of digital information."

China's growing dominance in both these areas should not be underestimated. Beijing's Belt and Road Initiative has created infrastructure that reduces Chinese reliance on seaborne trade. Meanwhile, Shanghai Westwell Lab Information Technology Co. is rapidly becoming the leading vendor of the most advanced port-operating systems.

## **PREPARATION AND CAUTION**

The war in Ukraine has provided a reminder that the disruption of trade is a vital weapon of war. It has also reminded us that a great power must be in a position to mass-produce modern weaponry, with or without access to imports. Both sides in the war have consumed staggering quantities of shells and missiles as well as armored vehicles and drones. The big question raised by any Chinese-American conflict is how long the United States could sustain it.

As my Hoover Institution colleague Jacquelyn Schneider pointed out in the *Wall Street Journal*, just "four months of support to Ukraine . . . depleted much of the stockpile of such weapons, including a third of the US Javelin arsenal and a quarter of US Stingers." According to the Royal United Services Institute, the artillery ammunition that the United States currently produces in a year would have sufficed for only ten days to two weeks of combat in Ukraine in the early phase of the war.

As I have pointed out elsewhere, the United States today is in some ways in the situation of the British empire in the 1930s. If it repeats the mistakes

successive UK governments made in that decade, a fiscally overstretched America will fail to deter a nascent Axis-like combination of Russia, Iran, and China from risking simultaneous conflict in three theaters: Eastern Europe, the Middle East, and the Far East. There will be no sympathetic industrial power to serve as the “arsenal of democracy”—a phrase used by President Franklin D. Roosevelt in a radio broadcast on December 29, 1940. This time it is the autocracies that have the arsenal.

The Biden administration must be exceedingly careful not to pursue economic warfare against China so aggressively that Beijing finds itself in the position of Japan in 1941, with no better option than to strike early and hope for military success. This would be very dangerous indeed, as China’s position today is much stronger than Japan’s was then.

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***The war in Ukraine reminds us that disruption of trade is a vital weapon of war. A great power must be able to mass-produce modern weaponry, with or without access to imports.***

Kissinger is right to worry about the perils of a world war. The first and second world wars were each preceded by smaller conflicts: the Balkan Wars of 1912 and 1913, the Italian invasion of Abyssinia (1936), the Spanish Civil War (1936–39), the Sino-Japanese War (1937). The Russian invasion of Ukraine may seem to be going well for the West right now. But in a worst-case scenario, it could be a similar harbinger of a much wider war. ■

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# Honesty Is the Best Medicine

Three years on, it's past time for Congress to launch a bipartisan investigation into the origins of COVID-19.

By **Jamie Metzl** and **Matthew F. Pottinger**

**M**ore than three years after the start of the global coronavirus pandemic, there has yet to be a comprehensive forensic investigation into its origins. With more than a million Americans dead from COVID-19, and an estimated fifteen million dead worldwide, that's inexcusable. While Chinese obfuscation and misdirection are chiefly to blame for the lack of understanding of how the novel coronavirus swept the globe, the United States could do far more to get to the bottom of what happened. Congress should hold hearings to establish a bipartisan COVID-19 commission along the lines of the 9/11 commission.

## Key points

- » With no clear understanding of the pandemic's origins, the world remains at risk.
- » Because Democrats control the Senate and Republicans the House, Congress has a rare opportunity for hearings in both houses.
- » A bipartisan COVID-19 commission would report on how to make research safer, our public health systems stronger, and our future more secure.

*Jamie Metzl served on the National Security Council staff during the Clinton administration and is founder and chair of OneSharedWorld. Matthew F. Pottinger is a distinguished visiting fellow at the Hoover Institution who served as deputy White House national security adviser in 2019–21.*

Beyond the finger pointing and political posturing lies an answerable question: why was there a pandemic? There are two competing hypotheses. Some believe the novel coronavirus probably escaped from a laboratory in Wuhan. Others maintain the virus first jumped to people from caged animals at a Wuhan seafood market.

Testing either hypothesis would require access to Wuhan lab records, biological samples, and personnel as well as frozen blood samples collected in 2019 by various Wuhan blood banks. The malfeasance of China's rulers is the primary reason the international community doesn't have access to these resources and data. Since the early days of the pandemic, Chinese officials have systematically destroyed samples, hidden records, imprisoned citizen journalists asking questions about the pandemic's origins, and enforced a gag order on scientists. Beijing also has refused to provide requested data to the World Health Organization and condemned calls by WHO Director-General Tedros Adhanom Ghebreyesus for a full international audit of the Wuhan labs.

But China hasn't been the only problem.

In the early days of the pandemic, a small group of Western virologists came together to consider the pandemic's origin. E-mails that eventually came to light revealed their plan to push the public conversation away from the lab-accident hypothesis and toward the natural-origins explanation. In a

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***Congress must look carefully at both China's transgressions and our own shortcomings.***

now-infamous February 2020 letter in the *Lancet*, and in an equally problematic letter in *Nature Medicine* the next month, some of these scientists

labeled any questions about a possible lab origin as “conspiracy theories,” even though they lacked evidence to dismiss the lab-leak hypothesis.

But in September 2021, a leaked Defense Department document revealed that some of the same scientists had worked together, along with the Wuhan Institute of Virology, on a 2018 proposal to the Defense Advanced Research Projects Agency. Their project? Genetically engineering rare “gain of function” features, called furin cleavage sites, into SARS-like viruses in their possession.

To its credit, DARPA didn't fund that research, but it was highly significant—or spectacularly coincidental—that the SARS-CoV-2 virus, containing this precise feature never before seen in any SARS-like virus, began infecting people in Wuhan the next year. Scientists who had called the lab-leak





***FILL IN THE BLANK: A photo from late 2022 shows the former seafood market in Wuhan, China, closed now for more than three years since the coronavirus outbreak. The origins of the pandemic are still shrouded in mystery, largely because of Chinese refusal to share information. An official commission could make progress toward learning the full story of the COVID episode.***

[Kyodo News]

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hypothesis a conspiracy had failed to disclose that the lethal virus sweeping the world was eerily similar to the one they had wanted to create.

China's systematic efforts to block meaningful investigation don't require the United States to throw up its arms. In fact, both the Trump and Biden administrations have taken action to dig further. The Trump administration began asking questions internally. Early in his tenure, President Biden also authorized a limited, ninety-day review of this issue by America's intelligence agencies. It's fair to say that both administrations did something and that neither has done enough.

Earlier this year, an international group of scientists and former national security officials—including us—signed an open letter detailing some of the failures of scientific journals and news organizations and calling for greater accountability. What we now need are bipartisan, evidence-based hearings asking the toughest questions about the pandemic's origins. Congress must

carefully look at China's transgressions as well as our own shortcomings. The National Institutes of Health, for example, funded research at the Wuhan Institute of Virology without sufficient knowledge about what work was being done at that facility. The French government played a key role in build-

ing the Wuhan Institute of Virology and was well aware of how the construction process had gone badly awry. Confidential access to key records held by

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***The malfeasance of China's rulers is the main reason the world lacks access to COVID-19 resources and data. But China is not the only problem.***

the US government, private science journals, and companies that conduct genetic sequencing also has the potential to be highly illuminating.

The fact that Democrats control the Senate and Republicans control the House provides a rare opportunity for responsible, hard-hitting hearings in both chambers. There's no reason this should become an exercise in partisan point-scoring. Getting to the bottom of how this avoidable human catastrophe began—and adopting measures to prevent similar ones—should naturally be a unifying initiative.

Congressional hearings must lay the foundation for a bipartisan COVID-19 commission to prepare a full account of what went wrong and what can be done to make scientific research safer, our public health systems stronger, and our future more secure. Congress can encourage allied and partner governments around the world to do the same. Without a clear understanding of why there was a pandemic, the world remains at risk. Future generations deserve to know the full story. ■

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# *An End to Budget Band-Aids*

**Short-term patches and carveouts won't keep federal health care costs from ballooning. What will? Letting patients choose and manage their coverage.**

**By Lanhee J. Chen**

**F**or the past several years, policy makers have nibbled around the edges of our health care system. The Inflation Reduction Act included some changes, such as an extension of expanded Affordable Care Act subsidies and the institution of limited price negotiation for prescription drugs furnished through Medicare. But they have ignored the fundamental contribution of escalating health care costs to ballooning deficits and the unsustainable long-term debt picture.

If today's policy makers are serious about addressing a legacy of growing debt and deficits, they should come together to address long-term

## **Key points**

- » To avoid a fiscal crisis, bend the long-term health care curve.
- » Giving patients tax-advantaged money for health care is an innovation that would hold down costs. Greater competition among providers and drug makers is another.
- » Giving patients more control will drive down costs for them and the government.

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cost growth. And, somewhat counterintuitively, that goal is unlikely to be achieved through short-term cuts or modest changes to the system.

## **UNSUSTAINABLE—AND EVERYONE ADMITS IT**

Let's begin by stating the obvious: American health care is expensive and getting more so with the passage of time. This is true for families and businesses. It is also true for the federal government.

But policy maker and citizen alike must understand the extent of the problem. In 2023, Washington will spend over \$1.5 trillion on just three federal health care programs: Medicare, Medicaid, and the Affordable Care Act. That doesn't include the hundreds of billions of dollars spent on health care for veterans, active-duty military personnel, and federal workers and retirees. Nor does it include the billions that go to tax preferences for health care consumption.

The bill is growing even larger. Right now, the three biggest health care programs account for 28 percent of total noninterest spending. But they are projected to grow faster than the national economy, growing to 38 percent of the programmatic budget by 2052 (and motivating higher interest payments on borrowed debt along the way).

The long-term growth in health spending is a key reason that the Congressional Budget Office projected last year that the federal debt will rise from 96 percent of GDP today to 185 percent by 2052. If, instead, these programs

grew at the rate of GDP, debt would rise only to 130 percent—still high, but nowhere near currently projected levels.

None of this is a secret in Washington. The stark

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***Contrary to popular belief, health care is not fundamentally different from other markets. Price incentives still matter.***

budget math animates much of the health care reforms of the past decade.

For many, the answer has been to cut reimbursement rates to physicians, hospitals, and prescription drug companies. The prescription drug pricing reform in the Inflation Reduction Act is an obvious example: the reform empowers the Centers for Medicare and Medicaid Services (CMS) to force drug makers to reduce the prices of expensive drugs or face punitive excise taxes. The failed Sustainable Growth Rate formula attempted to institute severe rate cuts on Medicare doctors for more than fifteen years. Its successor, the Medicare Access and CHIP Reauthorization Act of 2015, is the newest attempt to reduce physician reimbursement rates in Medicare.

The same rate-cutting logic applies to new proposals like the public option, lowering Medicare's eligibility age, or "Medicare for All." Supporters of these laws believe the programs will cut total health costs, and the official scores agree. But the savings that are promised are largely based on assumed cuts to physician and hospital reimbursement rates and cut-rate prescription drug prices that are unlikely to have staying power.

The problems with the promised savings are both political and economic. As we learned from years-long experiences with the Medicare Sustainable Growth Rate formula, the politics of perpetual rate cuts are challenging. Physicians argued that these cuts would limit access to and hurt the quality of care. Politicians agreed, and the inevitable results were perpetual "doc fixes" that shielded providers from cuts.

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***Americans don't have a universally available tax-advantaged health savings vehicle. Health savings accounts are cumbersome and full of restrictions.***

The economics are bad too. Heavy-handed rate cuts produce bad incentives for physicians to refuse new Medicare patients, shift costs to other payers, or simply find loopholes to ensure inflated prices. Evidence is already mounting that last year's prescription drug reforms are leading drug makers to increase prices today. And actuaries at the Centers for Medicare and Medicaid Services say the projected cuts to hospitals and physicians in current Medicare law are "probably not viable indefinitely." Even if they were, in the long term the cuts lead to fewer physicians, less investment in care improvements by providers, and fewer life-saving innovations.

Others have proposed aggressive spending cuts for federal health care programs. Their proposals promised to save money in the first year. But the only way to do that—especially with such heavily subsidized programs as Medicare, Medicaid, and the ACA—is to reduce coverage or cut reimbursement rates. They were, consequently, political dead ends.

## **ONLY THE LONG VIEW WILL WORK**

If we are going to reduce health cost growth and therefore improve the country's fiscal standing, the answer isn't fleeting rate cuts or immediate budget cuts to federal health care programs. Instead, policy makers should coalesce around reforms that lower the rate of health care inflation and produce

budget savings over the long term. That requires better incentives, which empower individuals to think more deeply about their health care choices.

Contrary to popular belief, health care is not fundamentally different from other markets. It has some difficult challenges, but many can be solved in a way that puts downward pressure on existing prices using the same market forces that exist with every other good that people pay for. It is possible for

everyday Americans to pay attention to prices and make informed decisions about most of the care they seek. And, in fact, this revolution is already happening in

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***In the past, good ideas that would save taxpayers money in the long run have died because of politically unpopular short-term budget cuts.***

direct primary care, outpatient facilities, health savings accounts (HSAs), and more. These decisions represent enough of all medical spending to drive significant changes to every aspect of the market.

One solution for which there ought to be bipartisan support is to encourage individuals to pay even closer attention to the prices they will ultimately pay for medical care. Prices rarely make an appearance in conversations between providers and patients. That makes health care one of just a handful of markets where prices are revealed only weeks or months after the service is provided. Until that changes, prices will continue their march upward.

This can be done in ways that benefit consumers, such as extending existing tax preferences to out-of-pocket spending. It is long past time to equalize the subsidy given to those who buy insurance through their employer by giving individuals a tax break to buy their own insurance, making coverage portable and consistent with individual needs. Gold-plated and tax-advantaged workplace health plans with high premiums and low out-of-pocket expenditures give people little reason to consider the marginal cost of their care. They result in higher premiums, as resources are misspent on medical procedures where the costs vastly exceed the benefits to patients. The tax treatment is also regressive: individuals in higher tax brackets ultimately derive more savings than those in low tax brackets.

Consumers are voting with their choices and pocketbooks by selecting consumer-directed health plans that include health savings accounts. The growing popularity of these plans suggests that there can be bipartisan consensus on policy changes to make them more accessible and easily usable.

Health care expenses are a part of life, yet Americans do not have a universally available tax-advantaged health savings vehicle as they have



for retirement (401ks and various IRAs) or for their children's education expenses (529 accounts). Unfortunately, HSAs currently come with cumbersome rules and strict spending requirements that make them less attractive to consumers. Removing these restrictions would give people better incentives to opt for cost-conscious insurance plans, which would produce large cost savings across the health care sector.

## **DESERVES BIPARTISAN SUPPORT**

Similar reforms are available for public programs like Medicare, Medicaid, and the Affordable Care Act. Greater access to health-specific savings accounts would ease the burden of large end-of-life health care expenses for Medicare recipients and allow those covered in ACA exchanges to set aside tax-advantaged money for what are often high-deductible plans. Meanwhile, states should be able to experiment with funding HSA-like accounts for their Medicaid populations, encouraging them to cut back on unnecessary utilization while also giving them quicker access to care with the promise to medical providers of immediate out-of-pocket payments.

In addition, current Medicare Advantage rules discourage insurers from fully competing on price. Today, insurers are incentivized to offer supplemental benefits or retain profits, rather than reduce premiums. More benefits for seniors are a plus, but it effectively puts a floor on cost savings. Instead, Medicare Advantage payments should be reformed to improve price competition. A 2018 report by the American Enterprise Institute found such reforms would save Medicare \$10 billion per year while still providing recipients with more generous coverage than traditional fee-for-service Medicare.

These reforms can give patients and consumers more control over their health care choices, while driving down costs for them and the government.

None of these reforms will be costless in the short run. That is why past proposals that have championed such reforms have included

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***Current Medicare Advantage rules discourage insurers from fully competing on price.***

draconian eligibility restrictions or other immediate budget cuts. The results, ironically, have been that the good ideas that would save taxpayers money in the long run died because of politically unpopular short-term budget cuts.

The fiscal state of the federal budget is unlikely to allow for either yearly surpluses or a dramatic reduction of federal debt in the next few decades. But the difference between “manageable” debt and a fiscal crisis depends

on bending the long-term health care cost curve. Our strongly partisan and ideological politics may make finding consensus on many issues difficult, but health care shouldn't be one of them. Policy makers should work together to make health costs more sustainable and, at the same time, improve options for patients seeking care. That means looking, thinking, and acting in the long-term interest of our health care system and the country more broadly. ■

*Policy fellows Tom Church and Daniel L. Heil of the Hoover Institution contributed to this essay. Reprinted by permission of the Peterson Foundation ([pgpf.org/expert-views](http://pgpf.org/expert-views)). © 2023 Peter G. Peterson Foundation. All rights reserved.*



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# Give Them the Best

What if we could choose between paying all teachers more and **paying the best teachers more?** The question all but answers itself.

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**By Chester E. Finn Jr.**

**A**lmost everyone wants to raise teacher pay. That's been true for as long as I can remember.

The push comes in various forms and from various places. From the unions, of course, whether at bargaining time, at state legislating-and-budgeting time, or when there's extra money floating about, as in recent federal stimulus and recovery outlays for schools. The latest is a push by congressional liberals—most conspicuously by Senator Bernie Sanders of Vermont, now chair of the Senate Committee on Health, Education, Labor, and Pensions—to pump out enough dollars from Washington on a continuing basis to create a \$60,000 floor under teacher salaries.

Nationally, the National Education Association projected the average public school teacher salary in 2021–22 at \$66,432, but it varies widely by state, by district, and by teacher seniority. Pay for starting teachers is in the low forty thousands—and would rise dramatically under anything akin to the Sanders proposal.

Almost nobody who agitates for more generous pay for teachers adjusts for the fact that most of them work a nine-month year, which means their

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salaries would be one-third higher if paid for twelve months at the same rates.

And most discussions of teacher pay don't get around to the generous benefits packages that nearly always accompany those salaries. The Commerce Department's Bureau of Economic

Analysis estimates that teacher benefits are equivalent to about 45 percent of base wages, which is a very big package indeed. Teacher.

org notes that, "For a teacher making \$64,133, that works out



[Taylor Jones—for the Hoover Digest]

to almost \$29,000 a year. Compare that to the 19 percent you might get working for just about any other employer that offers benefits.”

If you take a \$60,000 nine-month salary “floor” and “annualize” it to \$80,000, then add 45 percent worth of benefits, you get to \$116,000, which surely ain’t hay. As veteran teachers rise above the “floor,” their pay packages become less and less hay-like.

## **PAY ATTENTION TO THE RATIO**

What really gnaws at me, however, is a feature of US education that also illustrates how “what might have been” far larger salaries for teachers were undone by our practice of hiring more teachers over the years rather than paying more.

Yes, I’ve rattled on about this before (though not since 2017). Back when I was growing up, the crude ratio of teachers to K–12 students across the United States was 1 to 27. Today, it’s 1 to 16.

Think about it: If the ratio had stayed at 1:27, then at current budget levels, today’s teacher salaries would be roughly 69 percent higher than they actually are. Yes, that’s without any mega-spending increases à la Senator Sanders. We’d be looking at average pay in the \$112,000 range—still for a nine-month year and still not counting benefits.

But for decades now, at least six of them, we’ve been adding teachers and “improving” that ratio.

The reasons are obvious. Everyone wants smaller classes—teachers do, parents do—whether or not that yields achievement gains (a hugely contentious issue). Unions want more members. Colleges of education want more students. Administrators want more subordinates—and yes, we’ve been adding passels of administrators, too, not to mention the other nonteaching employees of US public schools, who comprise about half the total K–12 workforce, vastly more than in other countries.

So we’ve taken the huge increases over those decades in per-pupil spending on K–12 education and—instead of directing those dollars into better pay for the teachers we’ve got and using it to get and keep exceptionally able and effective teachers—we’ve used them to hire more people.

## **WHAT IF SALARY ISN’T EVERYTHING?**

What if we had opted for quality rather than quantity?

Here’s another perspective: in round numbers, the United States spends more than \$800 billion on public primary-secondary education. Divide that huge figure by 3.1 million public school teachers and you get \$258,000. Which is to say, if all of what we spend on public education went straight



into current salaries for the teachers we currently employ, we'd be looking at more than a quarter-million dollars per teacher per year.

Why we don't spend more of our education budget that way is an issue worth pondering by those who want to boost teacher pay.

One last ponder. A really interesting but little-noted recent paper from the Annenberg Institute, by Harvard's Virginia Lovison and UC-Berkeley's Cecilia Mo, based on a "survey experiment" with a national sample of more than a thousand teachers, led the authors to conclude that teachers "value access to special education specialists, counselors, and nurses more than a 10 percent salary increase or three-student reduction in class size. . . . These novel estimates of teachers' willingness to pay for student-based support professionals challenge the idea that inadequate compensation lies at the root of teacher workforce challenges and illustrate that reforms that exclusively focus on salary as a lever for influencing teacher mobility . . . may be poorly aligned to teachers' preferences."

This isn't something Senator Sanders wants to hear, much less teachers' union heads Randi Weingarten and Becky Pringle. They don't want to make trade-offs because they want more of everything. They take it as an article of faith that teachers are underpaid and that raising those salaries is teachers' top priority. Smaller classes, too, of course, so more teachers, please, never mind that enrollments are declining. Plus innumerable additional support personnel. Plus ever-more-generous fringe benefits—and extra pay for any sort of after-hour, lunchtime, or summer work.

In the real world we inhabit, however, namely an aging society with mounting public debts, how likely is this to happen? And wouldn't our kids and our nation still be better served by focusing on quality?

Yet if past is prologue, quantity will continue to prevail. And salaries will struggle to keep pace with inflation. ■

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# *A Master Class in Politics*

Hoover fellow **Michael T. Hartney's** new book shows how the government helped teachers' unions claim veto power over American school reform.

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**By Theodore Kupfer**

**Theodore Kupfer, City Journal:** Michael Hartney is an assistant professor of political science at Boston College and an adjunct fellow at the Manhattan Institute. His research focuses on state and local politics, interest groups, and education policy. His new book is called *How Policies Make Interest Groups: Governments, Unions, and American Education*. What's this book about?

**Michael T. Hartney:** At its core, the book asks, why is it the case that, certainly in the contemporary—and I would call that since *A Nation at Risk*, which was this big important government report that came out in the early 1980s that put school reform on the nation's political agenda—why is it the case that in education politics, teachers' unions have been and continue to be the most dominant interest group? The book argues that it's not an accident that teachers' unions and their members tend to vote more than other constituencies

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*Michael T. Hartney is a Hoover fellow, an adjunct fellow at the Manhattan Institute, and an assistant professor of political science at Boston College. His first book is **How Policies Make Interest Groups: Governments, Unions, and American Education** (University of Chicago Press, 2022). Theodore Kupfer is an associate editor of City Journal.*

in school board elections, that their policy preferences are oftentimes much more reflected in education policy than those of other education interests or stakeholders, whether those are parents, or taxpayers, civil rights organizations. And it argues that the reason for this dates back to changes that took place in the 1960s and 1970s, when state governments adopted labor laws that essentially picked winners and losers.

And those labor laws made teachers' unions winners in the interest-group marketplace. The reason was that under American labor law, under public sector labor laws, once recognized as the exclusive representative union—that is, once a majority of teachers vote and say they want to be represented by a union vis-à-vis their employer, which is the school district—they automatically have a seat at the table in education decisionmaking. So, if we think back most recently to COVID school disruptions, in states where teachers' unions are empowered under labor law to have this seat at the table, local leaders had to get their buy-in to move forward on school reopenings. That's just the latest example.

And ever since the education-reform movement took off in the early '80s, it doesn't matter how much money education-reform philanthropists give, or how angry you see parents get from time to time (and get episodically involved in school reform), because the one constant is that labor law empowers teachers' unions not just with a seat at the table but by actually helping them mobilize their members in politics. Essentially, a stakeholder group, teachers, who obviously have an interest in being involved in education, ratcheted up their strength when governments made the decision to provide collective bargaining rights to teachers' unions.

**Kupfer:** One narrative one might hear is that teachers' unions have actually lost political clout in recent years, following a general trend in organized labor. But I think what I'm hearing is that these unions remain enormously influential. What are these enduring sources of teacher-union power?

**Hartney:** Good question. I agree, I think, with people who would say that the teachers' unions—I wouldn't quite go so far as to say lost clout, but they suddenly found themselves facing political competition unlike what they'd seen before, I'd say starting around the Great Recession. In the late 2000s, you had governors like Chris Christie and Scott Walker who were able to speak to the public about issues that were suddenly relevant when state budgets were in the red. You saw a lot of light shine on issues like teacher tenure, the way pensions work—all sorts of policy issues where the unions had been able to fly under the radar on these issues because they just weren't salient. I also

agree that President Obama represented a thorn in the side of the teachers' unions, in that he pushed for a lot of reforms, many of which states adopted under the Race to the Top programs—things like evaluating teachers on the basis of student growth on test scores and the like.

But what people missed here was that our education system is very decentralized and fragmented. What that means is that whether you're talking about a federal reform like No Child Left Behind or about states enacting reforms around teacher tenure and evaluation, at the end of the

day, those reforms have to be implemented at the local level. And politically, teachers' unions continue to be the most important political force at the local

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***“Labor laws made teachers’ unions winners in the interest-group marketplace.”***

level in a lot of school districts around the country. The unions oftentimes get involved in school board elections, and my research shows that when they do, about seven out of every ten times, their candidate wins. It wasn't enough for reform groups to catch lightning in a bottle at a politically challenging time for the unions, because the unions' power was able to endure.

That's also due to something about America's political system more generally: it is rife with veto points. The teachers' unions are very effective at blocking and scuttling policy-reform adoptions that they disagree with. They also can scuttle implementation. Where they're less powerful, I think, is that they can't get everything they want. We might notice that not all teachers make a six-figure salary in the United States. The same rule of veto points applies to unions as well. If they wanted to get higher teacher salaries, they too would have to go up the political food chain to the state and the federal level, and they face more political competition there. They have less political competition, and continue to dominate, at the local level, where they can block reforms they find unpalatable.

***Kupfer:*** Can you talk about how our election laws may give special interests more power than they would have otherwise?

***Hartney:*** When you think historically about the position that conservatives have taken in regard to education policy in the United States, they tend to favor the idea of local control, of decentralized decisionmaking. And it's not that that impulse is wrong or problematic, but it's important to consider that we don't really have robust democracy at the local level when it comes to schools. Many school board elections are held at times of the year that are not aligned with November even-year elections. You frequently see 5 percent,

10 percent, maybe 15 percent of eligible voters participating in local school board elections. And in almost every school district—there are a few exceptions—school board candidates run without party labels. Citizens go into the voting booth without an easy way to tell which candidates are likely to share their values or their philosophy about education. If you think about the teachers’ unions, they obviously aren’t a majority in terms of voters, but in low-turnout elections, when they mobilize and rally behind a slate of candidates, they instantly have an advantage. The numbers are really clear.

**Kupfer:** Elections were held on August 23 in Florida, and Republican governor Ron DeSantis endorsed thirty school board candidates across the state. Seventeen of them were challenging union-backed opponents. Twenty-four of those thirty candidates won. What makes this move significant?

**Hartney:** I was surprised myself. On the one hand, it’s not so surprising when you give voters a pretty easy cue for them to follow. I think most Floridians, whether they’re super involved in politics or not, know who Ron DeSantis is and they can figure out whether they on balance agree with the guy or not. And so, I find it somewhat humorous that so many of the governor’s critics have assigned him labels like authoritarian, and anti-democracy, and these sorts of things. What any political scientist worth their salt would tell you is that, at least when it

comes to nonpartisan school board elections—by putting out a ten-point education plan and asking school board

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***“It wasn’t enough for reform groups to catch lightning in a bottle at a politically challenging time for the unions.”***

candidates who wanted his endorsement to endorse the ten-point plan—he infused democracy into local school board elections in Florida. He made it easy for voters to know, when they went to the polls, “should I vote for the DeSantis-backed candidate or the candidate that the unions or the Democrats are running against the DeSantis-backed candidate?” It gave voters on both sides a chance to weigh in in a meaningful way.

I think so many people in the education establishment don’t like this because they’re used to having a monopoly on these elections where they’re not going up against a political force like DeSantis.

**Kupfer:** So, just to stick with this DeSantis story, one kind of broad view of American politics that you’ll often hear is that competitive elections, the changing media market, and the rising importance of partisan identity have

all served to nationalize American politics, to borrow the name of the book by Daniel Hopkins. So, in this story, voters once might have picked representatives who responded to local concerns, and they struck deals to advance the community's interests. Now today, they're pulling the lever for candidates who identify ideologically with more prominent national or statewide figures. Does DeSantis's move and the broader trend of competitive school board elections seem to be part of this trend? Or are you saying that the notion of a past non-ideological slate of school board candidates, for instance, is a false ideal?

**Hartney:** I had to chuckle when I saw column after column in the lead-up to the Florida elections labeling what DeSantis was doing as “politicizing” school board elections, because the reality is they're elections. They've always been

political. It's simply that the nature of those elections was less predicated upon partisanship and a high degree of information for voters, and instead,

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***“In almost every school district—there are a few exceptions—school board candidates run without party labels.”***

hinged more on lining up local notables or local interest groups. Maybe in some halcyon days in the '50s or '60s, when you had perhaps higher involvement in local school affairs and turnout was higher in the pre-unionization days, you actually did get pluralism. I don't have any data to speak to that. But I can certainly tell you that since the unionization of the school employee workforce, the most dominant group—school board members report this in survey after survey—teachers win overwhelmingly. So, the idea that there's small-“d” democracy or hyperpluralism, where all stakeholders are getting represented—that world hasn't existed for a while in local school politics.

But I would also say that, and this is really important, it's not that DeSantis just came out and said, “these are Republican school board members, vote for them.” Parties have been involved in nominating slates of candidates in nonpartisan elections. That's not new. What was different was he actually put out a ten-point plan that talked about things like, how should issues of race and history be taught in the classroom?

**Kupfer:** As you're pointing out, we're in a world in which the classroom is becoming a political battleground. In that world, we've had some observers criticize what they see as the politicization of public schools, arguing that race and gender curricula, COVID reopening policies, masking policies—these are things best left to the experts, meaning the credentialed educators, to decide. But, as you've observed in research, take something like COVID reopening:

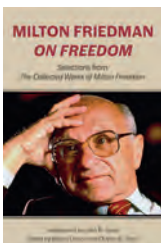


politics more than science is what shaped the school district decisionmaking on whether to reopen during the pandemic. Your research finds partisanship, union strength, and the presence of private competitors are all very important explanatory factors. And some of these cultural issues seem to be rooted in a certain pedagogy whose underlying premises are, to put it charitably, not self-evidently true. So, talk a little bit about this national brouhaha over education.

**Hartney:** It's not a pretty moment. I wish I felt that it were more conducive to having serious debate and dialogue at the local community level about what direction local school policy should take. But I feel like sometimes both sides engage in a caricature of what the other side stands for. I think there is probably a large middle ground where most Americans want very much to see American history taught in a way that shows the warts and shows the achievements. But I also think that most Americans don't want school districts to have policies that sort students and emphasize their racial or ethnic background as the most important characteristic of them or the teachers.

I think this all boils down to the adults aren't really being adults. Adults, whether we're talking about how to use stimulus money to address learning loss or we're talking about how to decide if we go back during the pandemic, would have made those decisions solely on what was best for children, what the evidence showed. Instead, many adults—enough of them to create this ruckus—have decided to fight over adult interests and adult politics rather than focus on the needs of kids. We've got major learning loss. And the only question that should be guiding local leaders now is, how do I get the most bang for the buck in terms of the COVID relief money to turn around learning loss? Adults shouldn't be having debates over whether if they want to bring in tutors for kids, whether those tutors are unionized teachers or not. ■

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# *A Wealth Tax Is a Poor Idea*

**Sacramento has a new plan to gouge the rich, even to the point of pursuing taxpayers after they flee the state. The state's economy would suffer, and its tax base would continue to shrink.**

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***By Joshua D. Rauh and Jillian Ludwig***

**L**awmakers in Sacramento are once again considering going back to the well—that is, the state's wealthy taxpayers—in search of even more money to fill their coffers. The latest proposal comes from state Assemblymember Alex Lee, who is seeking to pass a new wealth tax that would impose a 1 percent annual tax on the wealth of individuals with net worth of \$50 million or more and a 1.5 percent tax on the wealth of individuals with net worth totaling \$1 billion or more. The proposal, Lee asserts, would raise \$21.6 billion in revenues, but that is assuming the well will not run dry.

California is not the only state considering such a proposal. Bills to increase taxes on the wealthy are circulating in seven other state legislatures. While most states are seeking to increase capital-gains taxes or income taxes, Lee's bill goes one step further. He wants wealthy taxpayers to continue sending money to Sacramento even after they have moved out of the state entirely.

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The legality of such a provision is dubious at best, but that is not the only reason why a wealth tax should be a nonstarter in the Golden State.

## **GREENER PASTURES**

While media coverage of the wealth-tax bill focuses on the potential for tax flight associated with such a proposal, the risks are often understated. Our research does indeed find significant outmigration effects caused by tax rate increases, refuting the flawed findings of other research, and it also shows that departure rates for top earners are accelerating. But more important, we see that outmigration might not even be the worst of California's problems when it comes to the new wealth-tax proposal. The lost revenues stemming from the behavioral responses of taxpayers who stay in the state may be the greater danger.

Many news articles cite a paper by researchers Charles Varner, Cristobal Young, and Allen Prohofsky in which the authors find only a "very slight difference" in migration rates of high earners resulting from the Proposition 30 income-tax increase of 2012, which raised the top marginal tax rate in California to 13.3 percent. By contrast, a study of Proposition 30 by Joshua Rauh and the economist Ryan Shyu finds that the policy had a much larger effect on high-earner migration, despite using the exact same data from the California Franchise Tax Board as Varner, Young, and Prohofsky.

The reason for this discrepancy, as we explain in our paper, is simple: the Varner, Young, and Prohofsky study undercounts movers because of a flawed definition of outmigration. Those authors overlook the reality that many taxpayers moving out of California continue to file nonresident or partial-year resident income tax returns for several years after they have relocated, causing the state to lose on average over 85 percent of these taxpayers' taxable income by the time the taxpayer has been nonresident for a full calendar year. Movers that follow this pattern are not counted in the Varner, Young, and Prohofsky estimates of outmigration, and as a result, these authors incorrectly find a much smaller increase in departure rates after Proposition 30.

Our research accounts for this type of move, and we find that between 2012 and 2013, income-weighted rates of departure were 0.8 percent higher for the top bracket compared to an average of 1.5 percent. That means that Proposition 30 resulted in a 53 percent increase in outmigration for this group in the year after its passage.

## **KILLING GOLDEN GEESE**

While the spike in departures of high earners from California after Proposition 30 is important evidence, it is not the only example of a tax-induced

outmigration effect, a fact often overlooked by the media. We also see a substantial migratory response to the federal Tax Cut and Jobs Act of 2017 (TCJA), which capped state and local tax (SALT) deductions at \$10,000, effectively creating a large net federal tax increase for many Californians. Compared to an average departure rate of 1.5 percent between 2013 and 2016, outmigration jumped to 2.1 percent for earners making more than \$5 million after TCJA between 2017 and 2018. Taxpayers particularly affected by the SALT cap exited at an even faster rate.

What makes these tax-driven spikes in departures particularly concerning for the state is that out-movers are generally not replaced by in-movers, especially within the top income-tax bracket. From 2013 to 2020, nearly 11,000 top-bracket taxpayers left California, while only around 7,000 moved in. Although a net loss of 4,000 taxpayers might seem small in a state of 39 million people, the impact is considerable because of the state's outsize reliance on high earners for revenues—just 185,000 households paid nearly 45 percent of all personal income taxes collected by California in 2020. Exacerbating the problem, outmigration levels have remained elevated after the implementation of the SALT cap. We also observe an even larger exodus of high-income earners from the state during COVID-19—to some extent likely related to the state's aggressive pandemic policies but also likely a reflection of how taxpayers felt they were paying for services they were no longer receiving.

Although outmigration effects do have a significant impact on revenues in and of themselves, much of the discourse surrounding tax policy misses

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***Lee's bill seeks to force wealthy taxpayers to continue sending money to Sacramento even after they have moved out of the state. The legality is dubious at best.***

another crucial way in which people respond to taxation. High taxes reduce the incentive for taxpayers to work or invest in the state. Because of this, California residents, especially those

with high incomes, seek ways to limit their exposure to an increase in taxes. For example, they may decide to shift business activities to other states, forgo a business expansion within the state, or simply hire tax accountants who can help reduce their tax liability, all while remaining residents of California.

In the case of Proposition 30, the outmigration response combined with the response of resident taxpayers reduced the potential revenue gains of the tax increase by 55.6 percent. Importantly, 90 percent of this effect can be

attributed to residents' behavioral response, while only 9 percent was caused by the outmigration effect. While the increases in outmigration have accelerated and may be even more of an issue now than they were in 2013, this reduced economic activity by people who stay in California should be a major concern of both the media and the legislature when it comes to potential tax increases.

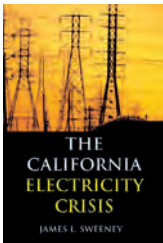
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***High taxes also reduce the incentive for taxpayers to work or invest in the state—even among those who remain.***

With regards to Lee's proposal, the research is clear: people will leave the state in response to a wealth tax. But even more important, we know that those who remain in California will alter their behaviors to avoid shelling out more in taxes than the state already demands from them—in the case of the wealth tax, possibly accumulating less wealth or making fewer risky investments. This is likely the reason why twelve OECD countries had net wealth taxes in 1996 but only five still did in 2020.

The California wealth tax proposal would serve only to curb economic dynamism in California by pushing taxpayers, their money, and their business out of the state. To retain an already shrinking tax base, lawmakers in Sacramento and the media must come to grips with that reality. ■

***Read California on Your Mind, the online Hoover Institution journal that probes the politics and economics of the Golden State ([www.hoover.org/publications/californiaonyourmind](http://www.hoover.org/publications/californiaonyourmind)). © 2023 The Board of Trustees of the Leland Stanford Junior University. All rights reserved.***



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# *Bibi: His Story*

Israeli leader **Benjamin Netanyahu** on Jewish survival, innovation, and respect for history.

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**By Peter Robinson**

**Peter Robinson, Uncommon Knowledge:** One man has served as prime minister of Israel longer than any other. We are here in his offices in Tel Aviv to discuss his new book, *Bibi: My Story*. Benjamin “Bibi” Netanyahu was born in Tel Aviv in 1949 and spent much of his boyhood in the United States. He returned to Israel to serve in the Israel Defense Forces, went back to the United States to study at MIT, and then returned to Israel to stay. Prime minister, thank you for making the time. Do I get to call you Bibi right now?

**Benjamin Netanyahu:** You could call me Royal Highness, Excellency, all these. Call me whatever you want.

**Robinson:** I interviewed Gore Vidal, and he said exactly that: “Call me Excellency.”

**Netanyahu:** Did he say that?

**Robinson:** He did say that.

**Netanyahu:** It is the best kind of plagiarism that I could have, although I didn’t know he said that.

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*Benjamin “Bibi” Netanyahu is the prime minister of Israel. Peter Robinson is the editor of the Hoover Digest, the host of Uncommon Knowledge, and the Murdoch Distinguished Policy Fellow at the Hoover Institution.*



**Robinson:** Your father, Benzion Netanyahu, born in 1910, was a historian. He taught at a number of institutions, including Cornell. From your book: “Father was seized by the urgency of forming a Jewish state. He saw it as the indispensable instrument to ensuring Jewish survival.” Now, in the United States, it’s understood or at least felt that the state of Israel is a response to the Holocaust, but that’s not quite right. Your father was arguing for a state of Israel before the Holocaust. Between the world wars, the Jewish population in Eastern Europe is big and growing, and in Western Europe, Jews have become distinguished figures in education, the arts, science, business, and on and on. And he still said, “A Jewish state is the indispensable instrument for Jewish survival.” What enabled your father to see what so many others missed?

**Netanyahu:** Well, because my father was a great historian of the Jewish people, and of general history too. And he saw that the scourge of anti-Semitism was the oldest hatred. It goes back as a systemic doctrine to about twenty-five hundred years ago, five hundred years before the birth of Christ, before Christianity. It’s an endemic problem, endemic hatred. And what he saw was that once the Jews were dispersed from their lands they had actually no defense, no practical defense against the fires of violent anti-Semitism, and therefore they

were consumed generation after generation by pogroms, by massacres, by expulsions, you name it. The Jews were like a

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***“The reason we had technology is we needed to survive. To survive, we needed an army.”***

wind-tossed leaf among the nations, and they suffered horribly. And he could see that escalate to the point where in 1933, when he was all of twenty-three years old, he wrote, when Hitler rose to power, that racial anti-Semitism fostered by the Nazis would consume the Jews of Europe, millions of them, and he said that the only way to fight it was to get the free world to recognize that it wouldn’t stop with the Jews; it would begin with the Jews, and thereby basically enslave and murder huge chunks of humanity. He said if we persuade them, then we have a chance to fight something, not merely as an expedient tool of persuasion, but as something true and deep.

This is a twenty-three-year-old genius. And he got that because he had studied the works of our modern Moses, Theodor Herzl, who came to the same conclusion almost half a century earlier when he saw in France the Dreyfus trial, in which in the height of civilization, the most liberal advanced



civilization, they were putting a Jewish officer on a false trial of treason merely because he was Jewish. And Herzl said at the time, “If this could happen in France, it’ll happen anywhere.” And my father saw that it could happen now, not anywhere, but it was happening in the vortex of Germany. So, anti-Semitism did not merely appear in a violent form in the Holocaust, it actually climaxed to a cauldron of hatred that had been brewing for centuries. And the only way to save the Jewish people was to form a state of their own in which they could finally defend themselves, first physically and then politically, against the violent anti-Semitism.

**Robinson:** You were not raised to be a dreamer. Your father and your older brother were interested in practical knowledge, in solving problems. Have I got that right?

**Netanyahu:** Yes, but you actually should conflate that with the idea of learning. Before I became prime minister, I asked my father, who was truly a greatest historian, “Father, Abba, what do you think is the most important quality that a prime minister of Israel should have?” And he shot back and he said, “What do you think?” And I said, “Well, you know, I think you have to have a vision of where you want to lead the country. You have to have the resolve to pursue that vision, but also the flexibility to navigate around the shoals and turbulence of political life.”

**Robinson:** Pretty good answer.

**Netanyahu:** Yeah, but he said it wasn’t good for him. He said, “That’s something anybody who leads any organization needs, whether you’re a dean of a university or a head of a company or even a military leader; it’s the same answer.” So, I said, “All right, what do you think is the answer, Father?” And he thought for a minute, and then he said one word that absolutely floored me. He said, “Education. You need a very broad and deep education, otherwise you’ll be at the mercy of your clerks.” That’s what he said. And you have to not be at the mercy of your clerks. To take expert opinion, but ultimately to chart your course, you need a broad and deep education.

**PROTECT: Benjamin Netanyahu arrives at Number 10 Downing Street, London, in March 2023 to meet with British Prime Minister Rishi Sunak. “Our purpose, which is, by the way, shared by most Israelis, secular and religious alike, is that the state of Israel was born to secure the future of the Jewish people,” Netanyahu said in an interview. “We don’t want to go back to a situation of utter defenselessness.** [Tayfun Salci—ZUMA Press]

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## THINK DIFFERENT

**Robinson:** All right, free markets. Let's take this as a case study in the kind of education that permits a man to stand up to popular, conventional wisdom, let's put it that way. Here's an author called Charles Dunst: "Socialist politics were the dominant force of the modern Jewish state in its first three decades." Of course they were, the state was founded by good socialists. "Israel was once a beacon of successful socialism, in which the paradigmatic building block was the kibbutz, the utopian commune." Here's the second quotation, in your book, writing about your time as a student at MIT. "It began to dawn on me that what I was seeing in the Boston area was a winning combination: military intelligence, academia, and business clustered together and working in tandem. Of course, there was one critical component necessary for this model to work, free markets." Here you are, you're a kid at MIT and you are thinking thoughts that are at odds with the entire reigning ethos of the foundation of the state of Israel, and as the state of Israel continued through the early 2000s. Where did this come from?

**Netanyahu:** Well, I pondered that too. In my early childhood memories, I describe an event that took place in our neighborhood. We lived in a private home, one of the few private homes. My father was the editor in chief of the

*Encyclopedia Hebraica*, the equivalent of the *Britannica*. Next to us is another private home that housed one of the greats,

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***"The Jews were like a wind-tossed leaf among the nations."***

a very good man who later became prime minister of Israel, Levi Eshkol. And one day, when I was five years old and standing in the porch of our home, overlooking Eshkol's home, a caravan of cars, limousines, government cars, screeches into the neighborhood, stops before the home, and out come all these VIPs. And the whole neighborhood, the kids are rushing to see this sight.

And my father walks out to the terrace. And I'm too small to even look, because I'm not high enough to overcome the parapet. I see him standing there, with his hands like this, clenched behind his back, typical of him. And he looks down and he utters one word, "Bureaucrats," and leaves. And it obviously made a deep impression on me, and I think it was the genesis of a lifelong skepticism about bureaucracy and government. But I certainly developed that in my years in the United States. I could see the difference between

a free market economy and a controlled economy, and you don't have to be a genius to understand that one grows and the other contracts, or certainly doesn't grow as fast.

## START-UP NATION

**Robinson:** I've lived in Silicon Valley for a couple of decades now. The Israeli presence in Silicon Valley, in my experience, has gone from zero to everywhere.

**Netanyahu:** I hear they also speak English there, not only Hebrew.

**Robinson:** So, the first question is, how did you do this? How did the country do it? This is not just changing economic policies, this is the changing the notion of what it means to be . . . an Israeli teenager, forty years ago, goes to a kibbutz. An Israeli kid today: "Where's the startup?" This is a fundamental change in the conception of what it means to be Israeli, is that correct?

**Netanyahu:** Well, we've always been an innovative people, but somehow in Israel, and I think Jewish people around the world, they're known for their innovation, for their

entrepreneurship. Somehow in Israel we created this semisocialist state that discouraged innovation, enterprise, risk

taking, and so on. And yet we had technology. The reason we had technology is we needed to survive. To survive, we needed an army. To have an army, we needed intelligence. To have intelligence, we took our brightest people in the army and let them cruise the information highways, develop all sorts of algorithms. Yet when they came out—like my brother-in-law, who was a very gifted air force pilot and technologist, he couldn't find any creative work here, so he went to Palo Alto. Your territory. I mean, it was basically sucking out all the talents in the world, because there were no free markets that could compare with America.

And my view was, if we could make Israel a free market economy, then we'd have the best of both worlds. We'd have free markets on the one side, and technology on the other. Now, technology or excellent education does not produce wealth. Free markets do produce wealth. But the combination of free markets and technology is unbeatable, and that's basically what we put together. You have to look at the former Soviet Union, which had brilliant

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***“My view was, if we could make Israel a free market economy, then we'd have the best of both worlds.”***



metallurgists and mathematicians and physicists, you name it. They didn't produce anything; they produced bankruptcy. And yet if any one of these gifted Soviet mathematicians or scientists or technologists were smuggled to Palo Alto, you know? They'd be producing added value within two weeks.

**Robinson:** Right.

**Netanyahu:** So, it was a question of reform. How did I do it? Actually, in retrospect, I fell back on a Clintonism: don't let a good crisis go to waste. And I didn't. We had a huge crisis, unparalleled in decades, an economic crisis. [Ariel] Sharon was prime minister and decided to hand me the suicidal job of finance minister in 2003. He figured this: if I succeed, better credits accrue to the prime minister, and if I fail, it'll be my fault. Many of my staff said, "Don't do this, don't take on this job of finance minister, because you'll never get to be prime minister again." I took it for two principal reasons. One, to

block Iran, which I saw then as I do now, as the main threat to our future and our survival in its quest for nuclear weapons. Two, I believed that

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***"We've been around long enough, we've died many times, but we refuse to die."***

we had to reform the Israeli economy along free market lines. Well, maybe I could get to use this crisis to at least achieve one of those goals. Pretty good if I could. And so, I finally took up Sharon's offer.

I remember my oldest boy was a kid at the time. I think he was nine years old. And he said, "Daddy," and we were standing here, outside in Tel Aviv, looking at the coast. He said, "Look at Tel Aviv, and look at New York. Look at the skyline they have, look at us." We had, I don't know, two high-rise buildings at the time. And he said, "We'll never be like them." And I said, "My boy, your father's going to be now the finance minister. Believe me, we'll be like them." He said, "Well, you're just saying that." I said, "We'll see, won't we?" Now you can see. You can see the skyline, which is erupting, skyrocketing literally, because that combination of free markets and high technology is unbeatable.

**Robinson:** And the nation has embraced it now.

**Netanyahu:** Yes, I think that's the interesting point, Peter. That people have understood that. That I think basically the socialist economic ethos is gone. There is a ratchet effect of free market reforms. You know, it's hard to get them through, but once you do and people enjoy the benefits of free markets,



they don't want to go back. In that sense, I think that may be one of the victories that I notch up, and it's not really that we changed the Israeli economy to become a juggernaut of global innovation and enterprise, but also that we changed the way that people were thinking about this.

## **SURVIVE AND COEXIST**

**Robinson:** Here in Tel Aviv, I have a number of Israeli friends who tell me they're atheists. "After what happened in the Holocaust, I can't believe in God; what I believe in is Israel." I have friends in Jerusalem, and it's pretty roughly the other way around. They're very sure about God, but they have all kinds of criticisms about the state of Israel. I don't understand how you sustain a Jewish state, when your own Jewish citizens have such different conceptions of what it means to be Jewish. How do you hold this together?

**Netanyahu:** Well, you hold it together by having a common heritage, obviously with divergent interpretations of where that heritage should take you. But if you don't have a common heritage, you're done. If America forgets that it's the Promised Land—we're the original Promised Land, we never forget that—if you forget that you are the new Promised Land, and that you are the guardians of liberty in the world, then you know, we're two countries without a purpose. Our purpose,

which is, by the way, shared by most Israelis, secular and religious alike, is that the state of Israel was born to secure the future of the Jew-

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***"It's hard to get [reforms] through, but once you do and people enjoy the benefits of free markets, they don't want to go back."***

ish people. We don't want to go back to a situation of utter defenselessness. That's the principle, the guiding idea of Israel. We'd also like to be the light unto the nations. I maintain that in antiquity we gave the moral code. Athens gave rationality and science, we gave morality. That's that light unto the nations, and today I think it's really the technological light unto the nations because our contributions are immense, in medicine and water and energy, you name it.

But you ask, "How do you keep it together?" I asked that question. And my question went beyond the common heritage and common purpose, and to the common means. How do you protect this thing? Because democracies fight within each other, just as you have in America. You're not going to resolve that.

**Robinson:** “Can’t we all be nice to each other?”

**Netanyahu:** Yeah, well, kumbaya. But you’re not going to get that. You’re not going to get democracies, especially robust democracies like ours, especially in the Internet age, you’re not going to get the end of polarization. You do have to create and maintain a vibrant center. But the poles are going to be there.

For me, the question was more basic and rudimentary. It’s a tiny country with one-tenth of 1 percent of the world’s population. It was engulfed, surrounded by hundreds of millions of Arabs who were determined for many decades to destroy us. Now they have been replaced by Iran, which is determined to destroy us. Well, how do you survive? And my answer was that the Jewish people, the Jewish state, has to be strong. It has to be very strong. Practically everyone in Israel agrees with that. And the way we solved the strength problem was to say, “We’ll have an army, and our army will defy all expectations. It will be enormously powerful.” I came to the conclusion early on that to have a powerful army you need, well, F-35s, fighter aircraft, you need submarines, you need drones, you need cyber, which I pioneered and pushed, making Israel a great cyber power.

But you know, all these things have one common quality: they cost money, a lot of money. So, I became an ardent champion of free markets, not only because I philosophically agree with it, not only because my father influenced me and so on, but what really influenced me was my understanding that there was simply no way to pay for the collective need of effective defense without the unleashing of individual initiative. It was both a philosophical and a practical conclusion.

## **PURPOSE-DRIVEN LIFE**

**Robinson:** Demographer Nick Eberstadt notes that birth rates have fallen below replacement level throughout the modern world. All of Western Europe, Japan, China, and in the past decade, even the United States. “But Israel,” he writes, “an affluent and embattled Western democracy, reports fertility levels well above replacement. Moreover, Israel’s birth levels have risen over the past generation. And since birth rates among Arab Israelis have been falling, the upswing is due entirely to Israeli Jewry, with the increase attributable not just to the Orthodox, but to less observant Jews too.”

**Netanyahu:** It’s true. Israel, I think, is the only Western country in which you have not falling birth rates but rising birth rates, across the secular and

religious community. The answer is, I think there's a life force. The story of Israel is the refusal of the Jewish people to bend to what appeared to be the iron laws of history. You know, you first are born, then you flower, then you shrivel, and then you die, and that happens to all nations if you stick around long enough. Well, we've been around long enough, we've died many times, but we refuse to die. So, we come back to life. We came back to life a century and some years ago when we reconstituted our national life here and then built a state, and we have protected ourselves and become more powerful.

So, what is the secret of that growth? One is the unleashing of power and ingenuity and creativity that I described, the free market combination with strong military. It allowed us to be a strong power, and strong power allowed me to lead with President Trump the historic Abraham Accords with four Arab states. More to come, I'm sure, but there's something else. The rebirth of Israel is the triumph of hope against despair, the triumph of the human spirit against the forces of annihilation. We were flung to the far corners of the Earth, and yet every year, Jews would say—in a ghetto in Warsaw against impossible odds, in Yemen, in Siberia—you'd say, "Next year in Jerusalem, next year in Jerusalem." And despite the constant degradation and vilification and slander that we hear from, you know, the ultra-radicals in the West and so on, people are happy here. We're ranked among the ten or eleven happiest people in the world, why? Because there's a life of purpose here. And you know, if I have to summarize my book, I'd say I've lived a life of purpose. ■





# Demography and Destiny

A new book by Hoover visiting fellow **Adele M. Hayutin** illuminates the patterns of population change, creating “a window on the future.”

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**By Jonathan Movroydis**

**Jonathan Movroydis:** Why did you write *New Landscapes of Population Change*?

**Adele M. Hayutin:** My goal was to make demographic information and analysis accessible to a broad audience, including policy makers, business leaders, and the interested public. I wrote the book to show how key population drivers—fertility, life expectancy, and migration—will combine over the coming decades in ways that threaten economic security and political stability.

I believe if you understand global population change, you can better understand news about global events. To help readers develop a broad global perspective, this book illuminates similarities and differences across countries and regions. I organized this comparative framework around key population drivers and demographic outcomes, including shrinking workforces and aging populations. Readers will learn to use demographics as a window on the future.

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*Adele M. Hayutin is an Annenberg Distinguished Visiting Fellow at the Hoover Institution. Her latest book is **New Landscapes of Population Change: A Demographic World Tour** (Hoover Institution Press, 2023). Jonathan Movroydis is the senior content writer for the Hoover Institution.*

**Movroydis:** You begin by saying, “We are in uncharted demographic territory across the globe.” What makes the situation so different from the past?

**Hayutin:** On the surface, it may look like the current situation represents a continuation of two key long-term demographic trends: declining fertility and increasing life expectancy. These trends are indeed projected to continue, but the overall demographic situation will not simply be an extrapolation of the past for several reasons. First, the trends are growing in scope; they are truly global, not just affecting the advanced economies, but extending worldwide. Second, there is increasing diversity in how these trends are unfolding. The timing and pace of change differs dramatically around the world. Third, the pace of change is increasing, and consequently, these trends are gaining momentum and impact.

And most important, as the key trends take hold in individual countries, they are interacting in ways that lead to more extreme outcomes. We also see two divergent population trends: some populations are starting to shrink while others are growing explosively.

The first key driver is fertility, or number of births per woman. That number has been declining worldwide for quite a long time. The world-

wide fertility rate has fallen by half since 1965, from five births per woman to around two and a half births per woman. I would note that all countries have had declining fertility, but some countries had very steep declines beginning in the 1960s, and some didn’t begin declining until much more recently.

The second key driver is increasing life expectancy. This trend is also global, but again, it differs by country in terms of timing and pace. In general, the positive trend of increasing life expectancy has continued. Exceptions to the upward trend stem from specific events such as war, famine, or, as we just experienced, pandemics.

Those two trends, declining fertility and increasing life expectancy, are now interacting to create major demographic changes, including dramatic changes in age composition. There are fewer and fewer children, which eventually results in fewer workers, and more people are surviving to older ages. In the past, the changes in age structure and resulting support ratios were more gradual, but in many developing countries, these changes will happen much faster.

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***“If you understand global population change, you can better understand news about global events.”***



***NEW WORLD: “Two trends, declining fertility and increasing life expectancy, are now interacting to create major demographic changes, including dramatic changes in age composition,” Adele Hayutin said in an interview. “These changes will affect economic growth, as well as political stability and national security.” [Hoover Institution]***

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We have never had so many countries with below-replacement fertility and declining support ratios. These changes will affect economic growth, as well as political stability and national security.

***Movroydis:*** Which of these demographic changes are particularly surprising or striking?



**Hayutin:** One of the most dramatic changes is the continued explosive population growth in Africa. Even though Africa's population growth has slowed, it is still higher than elsewhere. As a result, Africa's share of world population will dramatically increase. This global population shift to Africa means that most global population growth will occur in the most vulnerable and least developed countries.

Another startling change involves China. While it is well known that India will soon overtake China in total population, it is less well known that China's total population is already declining.

Nigeria is projected to double its population and will skyrocket past the United States to become the third-most-populous country before midcentury. Two other fast-growing African countries—Ethiopia and the Democratic Republic of the Congo (DRC)—will soon join the top ten most populous, replacing Mexico, which is still growing, and Russia, which is already shrinking.

Global population will remain highly concentrated in a relatively few countries. In 2020, the ten most populous countries accounted for nearly 60 percent of the world's population. The twenty-five most populous accounted for 74 percent of the total.

Another surprise is that women's life expectancy advantage over men is a global phenomenon occurring throughout the world, although it is most pronounced in the advanced economies. That means countries will continue to have more older women than men.

Many related factors have contributed to the global fertility decline, but most scholars agree that economic development is the principal factor. As societies become more industrialized and less agrarian, fewer children are needed to support a family's livelihood. Then, as countries continue to modernize and more women become economically empowered, the number of children further declines.

**Movroydis:** What are some of the consequences of these demographic upheavals?

**Hayutin:** The changes in age structure and the divergent rates of population growth have huge implications for economic growth and political stability. The workforce impacts of these demographic changes are especially important. One of the major consequences of declining fertility is fewer and fewer children, which eventually leads to a shrinking pipeline of workers. While fertility is the primary driver, increased life expectancy also affects workforce growth by creating additional labor supply, as more people reach working

age and as older people become or remain economically active. International migration can also play a role in supplementing the labor supply.

A country's arc of workforce growth typically includes a steady increase followed by a slowdown and then decline. The timing of these declines depends largely on the timing and pace of the fertility declines and life expectancy gains within the country.

One of the most striking global consequences of these demographic changes is the impact on the world's largest economies: workforce growth is already slowing in all the large economies, with many seeing absolute

declines. Eight of the fifteen largest economies, including China, South Korea, and Japan, face the prospects of continued workforce declines over the coming

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***“As the key trends take hold in individual countries, they are interacting in ways that lead to more extreme outcomes.”***

decades. Many will see the declines accelerate as the impact of sinking fertility rates and the declining number of children fully sets in. India and Mexico are the only two large economies projected to see significant workforce growth, but in both countries, the arc of growth peaks shortly after midcentury and then declines. There are, however, several exceptions: largely due to immigration, the United States, Canada, and Australia are projected to see continued, though slower, workforce growth over the coming decades.

***Movroydis:*** Do you believe these global trends are manageable? How might countries respond?

***Hayutin:*** Yes, it is possible to manage these trends. It helps to think of two broad approaches for managing population challenges: the first involves directly influencing the demographic drivers, and the second concerns mitigating or reducing the impacts of specific demographic outcomes.

Many current policies target the three demographic drivers. Policies that address fertility, or births per woman, range from reproductive-health policies and distribution of contraceptives designed to reduce fertility to pro-natal policies that seek to incentivize higher birth rates. Examples include the United Nations' family planning and economic development programs, as well as China's restrictive one-child policy and its reversal, followed by adoption of a pro-natal three-child policy. Another example is the reliance on girls' education in Africa as a promising tool for reducing high fertility rates.

Although some countries have adopted pro-natal policies to raise their birth rates, there is little evidence that these are effective.

The array of policies and practices affecting life expectancy, the second driver, is also large. Public health initiatives that promoted public sanitation have been responsible for major increases in life expectancy around the world. Many other public health programs have also contributed to improved health status and longer lives. These policies cover the life span, from reducing infant mortality to reducing diseases of old age; in addition to public sanitation, examples of such policies include highway safety and vaccine distribution programs.

Policies affecting international migration, the third driver, are increasingly in the news, as many countries grapple with trying to protect border security while also achieving economic, humanitarian, and political goals. As international migration increases, whether spurred by economics, climate change, or political disruption, developing effective policies will be increasingly important.

Managing demographic outcomes, such as aging populations and shrinking workforces, is also quite feasible. I illustrate in the book that it is possible to see the demographic changes on the horizon, and because we can see the changes coming, we should and can be ready for them. Indeed, it would be irresponsible not to prepare for the coming demographic shifts.

Policies that address the possibility of shrinking workforces provide good examples of ways to adapt to the coming changes. Labor supply policies include boosting the

labor force participation at all ages, especially among women, and expanding the definition of working age to

include older ages. Providing day care and offering flexible hours are other practices implemented as methods for increasing and maintaining female labor force participation. Increased immigration is another option. On the productivity side, additional education at all ages and technology innovations are two critical options for improving the output of the existing labor supply. Retraining of older workers could both increase labor supply and improve productivity.

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***“We have never had so many countries with below-replacement fertility and declining support ratios.”***

***Movroydis:*** What policies can US leaders adopt to ensure that America has a strong demographic future?

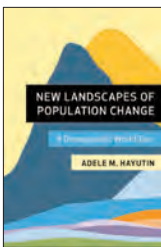
**Hayutin:** The United States has many policy options for ensuring a strong demographic future. The United States is relatively young compared with other advanced economies; we have a growing working-age population; we have a smaller share of old people than other advanced economies; and the share of old people is increasing more slowly in the United States than elsewhere. Our overall age structure is more stable. We should learn about these competitive advantages and implement policies that leverage these strengths.

For example, improved K-12 education is necessary for leveraging our youthful population. We need policies to attract and retain both high- and low-skilled immigrants. Ensuring continued immigration is necessary for our economic growth. Policies to increase labor force participation rates include offering flexible work hours, remote work options, and child care benefits, as well as other family-friendly workplace practices. Another policy priority for ensuring labor supply involves retraining workers at all ages so their skills are suitable and adaptable as our economy changes.

Our demographic mix and our aging population point to critical financial concerns. We should continue to discuss options for raising the eligibility age for Social Security benefits and review Medicare entitlements as well. Health care costs have consumed an increasing share of public and private spending, making it even more important to develop policies that will reduce the health care burdens at all ages, especially at older ages.

I want to reiterate the premise of my book: understanding demographic dynamics will help you better understand news about global events. You can use demographics as a window on the future. Because it is possible to see what is coming, it would be irresponsible not to prepare. ■

***This interview was edited for length and clarity. Special to the Hoover Digest.***



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# Calling It Quits

**“Grit and quit—those two decisions—are the same decision.” Author Annie Duke sees different ways to deal a winning hand.**

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**By Russ Roberts**

**Russ Roberts, EconTalk:** Now, I couldn’t help but notice that your book has a one-syllable title, which is ideal. It’s a fabulous thing. But it also happens to rhyme with *Grit*, a book with an apparently different perspective, which is Angela Duckworth’s book. What is the difference between “quit” and “grit”?

**Annie Duke:** The fact that it’s called *Quit* and rhymes with *Grit* is not accidental. That is by design. Let me first say that I really don’t have any quibble with the book *Grit*. I think everybody should go read it. I do have a quibble with some of the takeaways that people take from it. Which is not anything on Angela Duckworth’s part, because these are not the takeaways she would wish that people took from it.

Here’s the issue: grit and quit—those two decisions—are the same decision, and we don’t think of them that way. We think of them as polar opposites.

I mean, if you think about it logically, any day that I choose to stay in my job is a day I’m choosing not to quit. And any day that I quit my job is a day I’m choosing not to stay. At any moment, given that we’ve started something,

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*Annie Duke is an author and consultant and a former professional poker player. Her latest book is **Quit: The Power of Knowing When to Walk Away** (Portfolio, 2022). Russ Roberts is the John and Jean De Nault Research Fellow at the Hoover Institution, a participant in Hoover’s Human Prosperity Project, host of the podcast **EconTalk**, and the president of Shalem College in Jerusalem.*

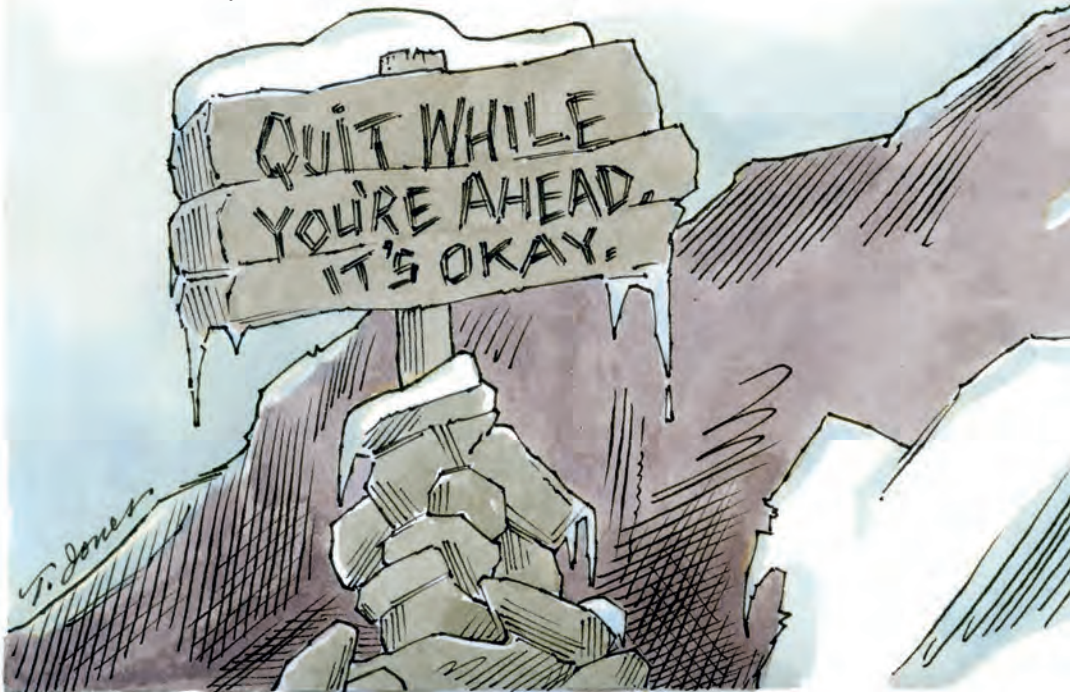
we have a choice whether to stick with it or to go and shift and do something else.

Where we get into trouble is with the calibration issue. Like, when is the right time to quit? When is the right time to stick to things? My quibble with the takeaways about grit in general is that “grit is good. Grit is a virtue. The people who persevere are the heroes of our stories. If at first you don’t succeed, try, try again. Quitters never win. Winners never quit.” Russ, if I called you a quitter, would I be complimenting you?

**Roberts:** No.

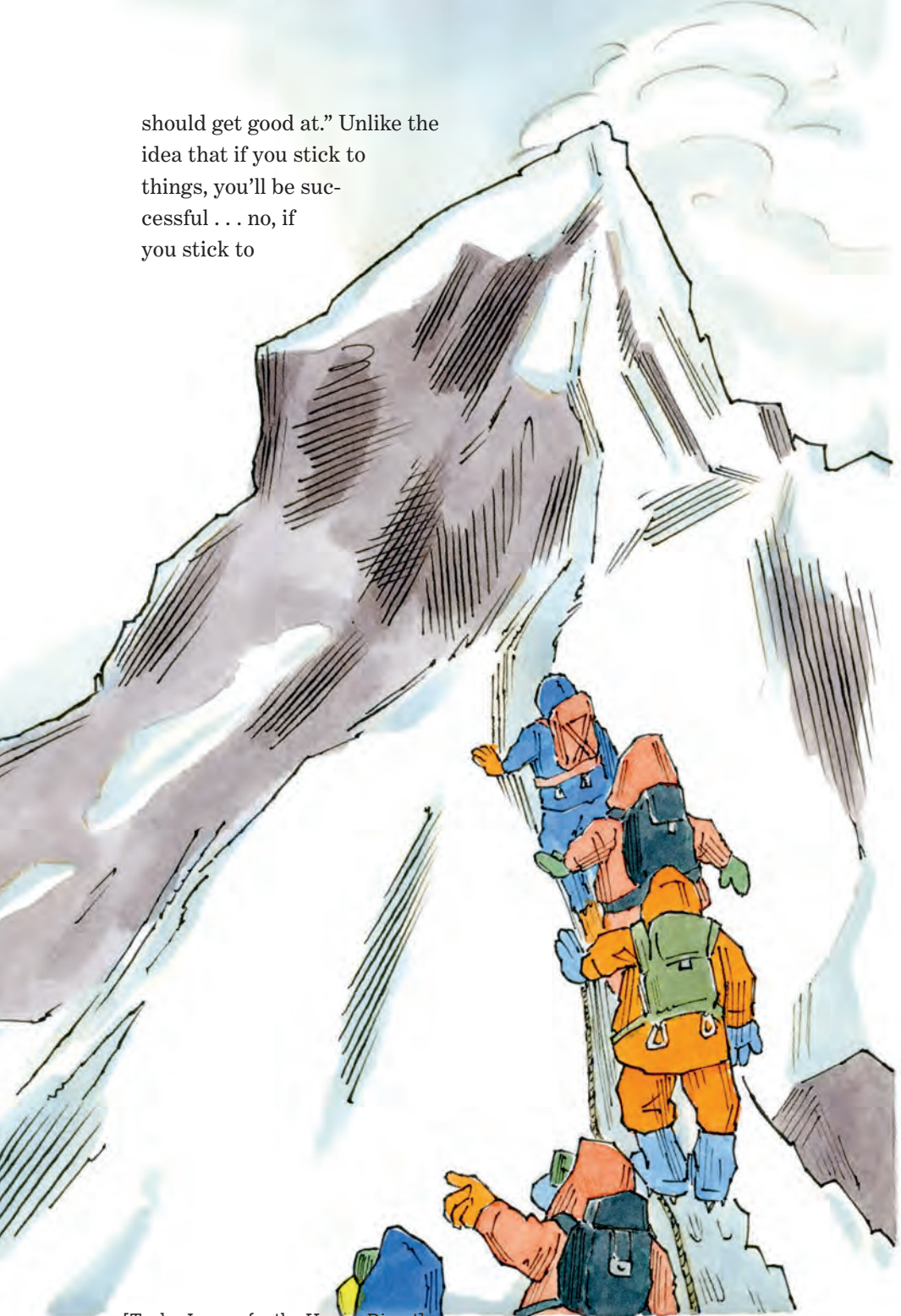
**Duke:** No, I’d be insulting you. In fact, if you look up “quitter” in a thesaurus, you’ll see that one of the synonyms is “coward.” And that’s where I kind of get mad. It’s a little bit why the title of the book is so in-your-face, because I think it does incredible damage to people in terms of their ability to achieve their goals if they are getting stuck in things that just really aren’t worthwhile. It isn’t worth sticking to things for fear that somehow if they quit they’re a loser, or a failure, or that people are going to judge them harshly for it. The opportunity costs associated with that are so great. I think it’s tragic.

We need to start saying: “Quitting is a skill, and it’s one that you





should get good at.” Unlike the idea that if you stick to things, you’ll be successful . . . no, if you stick to



[Taylor Jones—for the *Hoover Digest*]

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the stuff that's *worthwhile*, you'll be successful, but you've got to quit the rest.

**Roberts:** You have a line in the book which is just profound: "The opposite of a great virtue is also a great virtue." I think most people would say, "Well, that can't be true." What do you mean by that? One of the reasons I love it is that it's memorable and it might help you make a decision that you would otherwise miss.

**Duke:** Let me give credit where credit is due. When I started working on the book, it was during the pandemic. And so I asked a whole bunch of people that I know to get on Zooms with me. One of them was Phil Tetlock, author of *Superforecasting*—really brilliant man. They all knew that I wanted to talk about this concept of quitting. I got on the call with him and he said, "I've been thinking about this in relation to grit. And I think it's wonderful because the opposite of a great virtue is also a great virtue." He was making a play on "the opposite of a great truth is also a great truth" [a saying popularized by physicist Niels Bohr—ed.]. We need to understand that everything has upsides and downsides. So, grit is a virtue when you're sticking to things through the hard times because the goal that you're trying to reach is worth it.

When your kid goes out on the soccer field and has one really bad game and storms off the field and says, "I want to quit," you don't want them to do that. Overall, if they enjoy soccer, if you think it's something they're getting great benefit out of, you want to teach them that it's a virtue to be able to take the downs in order to achieve the ups. That being said, quitting is also a virtue because if they get a concussion on the field, you don't want them to continue the game. That's what we have to remember: in circumstances where the world has given us new information that tells us that what we're doing is no longer worthwhile, it is virtuous to quit.

In fact, I would say that there are certain cases where it becomes a moral imperative to quit.

One place where a moral imperative is quite common is in startup culture, when a startup is clearly failing. Someone will say, "Hey, it seems like it's not

**ACE: Annie Duke (opposite) attends the 2010 NBC National Heads-Up Poker Championship in Las Vegas, which she won. She was the first and only female winner of the event. "When you're on television known as a poker player, gosh knows, that becomes your identity," she said in an interview. "If you walk away, what does that mean for you?"** [Creative Commons]

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going well. You're not hitting any of your benchmarks. You're missing all your targets. You haven't achieved product market fit—whatever—it seems like you should shut it down.” And people will say, “But I owe it to my employees.” So, they're using the language of duty here: I have a duty to my employees to keep it going.

But if we think about it, they actually have a duty to quit. Why? Because once they've determined that the equity isn't worthwhile—and startup employees are generally working for very low cash comp when compared to what they could get on the market; they're working for equity that they deem to be possibly life-changing—the founder has a duty to the employees to allow them to go, so they can go get paid what they deserve.

**Roberts:** I think your insight about character is very apropos. We often admire those people who don't quit because they “persevered,” when in fact it was irrational or immoral. A story I like to tell is of Fred Smith when he started FedEx and he ran out of money; he went to the bankers and they turned him down. He was going to get on the plane and fly back to Memphis and tell his employees that he was sorry that he couldn't make payroll—this was not a tough decision because the cash register was empty, the bank account was empty—but instead he went to Reno. He saw Reno on the board of departures. He ends up in Reno and puts whatever money he has on red or 17 or whatever it is and makes just enough to go back and make payroll. And the rest is history. I love that story because it's

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***“In circumstances where the world has given us new information that tells us that what we're doing is no longer worthwhile, it is virtuous to quit.”***

about gumption and guts and not quitting and persevering and believing in your dream.

The problem is, that's the story we hear. The ones that we don't hear are the ones where it was a bad dream, wasn't going to make it, and the hubris and ego of the founder, other people paid the price for that. I have a lot of respect for Fred Smith. Tremendous amount. But he was a visionary. Most visionaries have a very different quitting compass. And we celebrate the ones who make it, and we don't chronicle the people who don't make it. You have to learn how to say no, and that's a very powerful truth.

**Duke:** But you also have to learn how to say yes. Speaking of Phil Tetlock, during the pandemic when I was somewhat busy, he reached out to me and

said, “We’re having trouble creating good training for novice forecasters, and these counterfactual forecasting problems. You kind of teach this stuff and consult on it. So, maybe you would be able to put it into terms or a voice that would create a good training.” So, I said yes. Why? Because I love Phil—and Barb, his wife, by the way—and I was willing to make time for that. And that turned into four very large-scale studies that were incredibly fruitful.

So, I completely agree with you. I’m trying to be more careful about

saying no to things that I’m predicting are not going to be worth my time. Yet saying yes to stuff that looks kind of wild and crazy, but wouldn’t that be cool? I might learn something super new about myself or something super new about the world.

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**“We need to start saying: ‘Quitting is a skill, and it’s one that you should get good at.’”**

**Roberts:** There’s this other piece in it for me: you might make a human connection that you otherwise wouldn’t make. It’s not going to make you more money, and it’s not going to lead to all those other studies, not going to help you understand something. You’re just going to have a human experience that’s precious. What we’re saying is you have to make room in your life for serendipity. There are things that are going to come along you can’t predict, can’t imagine. And, if you always say no, you’ll be comforted by the fact that you had more time for other things. But you’ll never see the things you didn’t get. You write about that a lot in the book.

**Duke:** There’s an issue of opportunity cost. Once we’re exploiting something, whether it’s a product that an enterprise is selling, or a hobby that we’re pursuing, or a project, a job, whatever it is, we tend to cease to explore. We’re actually quite good at saying no, because we often don’t even consider the possibility of saying yes or no. And if you don’t consider the possibility of saying yes or no, you’re saying no to all of that stuff by default.

I can say yes to stuff. And if I say yes to stuff, maybe I’m going to find something that’s awesome or a good backup plan or better than what I’m already doing.

## **SOCCER PAIN**

**Roberts:** You gave the example of the kid on the soccer field. A lot of what we do as parents and a lot of what our parents did to us is to get us to push

through pain. Because often—not always, but often—great rewards come from that. And it is hard for human beings to anticipate those rewards sometimes. Especially when we're young, we have trouble.

**Duke:** Let me just emphasize that: *especially when we're young*. Obviously, it's a good lesson to take someone who's six and has never gone through the downs to see what the ups might be on the back end of it, and teach them you don't need to quit. You can push through it. The problem is that we think that applies to thirty-year-olds. And it doesn't, because thirty-year-olds aren't walking off the soccer field.

**Roberts:** I want to take another example that you use in the book. The example is that if you finish a half marathon, people are impressed. "Wow, you ran 13.1 miles. That's a lot." But, if you run a marathon and you stop half way, you're a quitter—and you did the exact same thing. And I think about the absurdity, the utter tragic absurdity, of being 300 meters from the top of Mount Everest . . .

**Duke:** And you're a loser . . .

**Roberts:** . . . and it's one o'clock, and you're supposed to turn back. And you say, "I'm not going to stop short of the summit. I can see it from here." Of course, one answer you should give yourself is, "If I can see the summit and I'm 300 meters away, didn't I kind of do what I wanted to do?"

**Duke:** These are all cognitive phenomena. What we're talking about is the cognitive state of being in the losses. So, when you think about your balance sheet, "in the losses" means that you're losing from wherever a mark was. If

you buy a stock, the mark is going to be the price that you bought it at. If you're below that, you're in the losses. If you're above it, you're "in the gains." We have this mental accounting that occurs, which gets

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***"I can say yes to stuff. And if I say yes to stuff, maybe I'm going to find something that's awesome or a good backup plan or better than what I'm already doing."***

distorted. When we take a half marathon, the goal, the end point, is 13.1 miles. So, if I complete that, I am now no longer in the losses in comparison to that goal. But, if I only complete 13.1 miles in the context of a marathon, I am short 13.1 miles now: I'm in the losses. In other words, physical ledgers measure from the starting line. But mental ledgers measure from the finish line.



So, this is the problem we have with Everest, right? I'm 300 feet from the summit. Never mind that I just climbed 29,000 feet in the air. I'm a loser if I turn around because I'm closing that mental account in the losses.

## GRIT HAS A DARK SIDE

**Roberts:** But I'm going to push back a little bit because I do think there's a powerful reason that we struggle with this mental accounting. And anybody who has been a runner or done the equivalent of running in a project, meaning a long, arduous trek, I think understands this.

A lot of it, of course, is self-esteem. When I read *Into Thin Air*—and it's an extraordinary read—I finished that book thinking: this is insane. To what purpose did this person

lose half his nose? To

what purpose did these people die? They didn't

achieve anything. And of course, their answer

would have been, "No, I tested myself and was not found wanting." There's something deep inside us that needs that. Whether it's the approval of our parents—often no longer alive, but we don't care—we still push through. There's value to it. And in many ways what you're saying is it's like a sickness, almost.

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***"One place where a moral imperative is quite common is in startup culture, when a startup is clearly failing."***

**Duke:** So, this is what I would say. The opposite of a great virtue is also a great virtue. That's true when it comes to goals that we set for ourselves. Goals are motivators: as you said, they get us to push toward the finish line even when things are hard. And that is not a bad thing.

But here is the problem. Let's take Siobhan O'Keeffe, who entered the 2019 London Marathon. On mile four, she started experiencing pain in her leg. On mile eight, her fibula bone snapped. She broke her leg. Now obviously the medical tent was like, "Yo! Stop running!" But she did not, and she finished the race. Now, this is where we get into trouble with this. Because the great thing about a goal is that it sets a finish line and it gets you to continue to run toward it even when it's hard. The bad thing about goals is that it sets a finish line and it gets you to run toward it no matter what. Even when your leg is broken.

And it creates, in some ways, a short-termism. Grit is really meant to help you with the long view: "I know it's bad right now, but it's going to be worth it in the long run." But weirdly, when we set these goals, it creates

a short-termism, because the goal itself becomes the object of our grit. I assume for Siobhan O’Keeffe, the goal was, “I love running marathons and I would like to run many of them in my life.” This was not her first marathon. But by continuing to run, she was risking grave injury that might have prevented her from ever running another one. So, she was actually causing herself to lose ground toward what she herself had declared would make her happy.

This goes under another thing that Richard Thaler talks about: goals are really graded pass/fail. Not only does it mean that you’re going to head toward them no matter what, but it can stop you from starting things that are worthwhile. Because, as he said, if the only thing that is success is getting a gold medal in gymnastics, why would you ever take your first lesson?

## **KENNY ROGERS, I HATE YOU**

**Roberts:** You were a very successful poker player. There’s a wonderful, simple mantra for people to think about outside of poker: knowing when to fold ’em. You showed some grit; I’m sure you pushed through a few losses.

**Duke:** I played for eighteen years. I did quit too late—which isn’t surprising. One of the hardest things to quit is who you are. And when you’re on television known as a poker player, gosh knows, that becomes your identity. If you walk away, what does that mean for you?

Here’s the thing about poker. First of all, obviously, the power of knowing when to walk away, as a nod to Kenny Rogers. When I was playing poker, I would get very annoyed when I went on the radio or was going on a television show, because they would usually play that song as the intro. I grew to hate that song. Eventually they switched to “Poker Face,” by Lady Gaga. That was a little bit better.

But I decided I was going to reclaim the song so I could love it again. I think Kenny Rogers actually says something very insightful here about the

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***“I became a much bigger quitter. I realized that that fear of what’s on the other side should really go away.”***

game of poker. You got to know when to hold ’em—that’s about sticking. Know when to fold them—that’s about quitting. Know when to walk

away—that’s about quitting. Know when to run—also about quitting. So, 75 percent of the refrain is about quitting, not sticking. And that’s actually very much true to poker.

When people think about what makes a poker player amazing, they're going to list "amazing ability to read the other player's hand," super-aggressive, they're bold and courageous and pushing all their chips into the pot. Well, great poker players try to avoid putting all their chips in the pot. They're very picky about when they do that.

But, regardless of that, here's the thing: if you really want to know what separates great players from amateurs, it's quitting. Folding is quitting. Quitting is just cutting your losses. That's all it is. In game theory, all it means is stopping something that you've already started.

**Roberts:** And, it means finalizing that loss in the ledger, right?

**Duke:** Right, exactly. That's something that's been well-documented—originally in 1979 [Daniel Kahneman and Amos Tversky, "Prospect Theory: An Analysis of Decision

under Risk"]; when we have those losses on the books and we have to now quit and turn those into a sure loss, we'll

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***"If you can create one more option for yourself, your life will be better because you'll be more rational."***

become risk-seekers. In other words, we want to keep the gamble on. A bit like the FedEx guy, right? He became a risk-seeker and went and gambled this money, which is nuts.

**Roberts:** But either way it was a gamble, right?

**Duke:** Yeah. But it was nuts to go. I guess I would've sued him, too. Would we know the story if he went and gambled, and then he lost on that bet? Not in a million years.

## **DOORS CAN REOPEN, TOO**

**Roberts:** You almost got a PhD and you almost pursued an academic career. How did that inform your thinking about this book and your own experience there?

**Duke:** This is a very good lesson, which is: we think about quitting as closing a door and sealing it shut. But, for many things that we quit, if we stop thinking about it as a decision that we can't reverse, it'll make it a lot easier for us.

Because I am now an academic. I currently teach at the University of Pennsylvania. And I am just now enrolled as a graduate student, with Phil Tetlock as my adviser, because those studies that I ended up doing, that I said yes

to, were large-scale enough and enough work that he said, “Just write them up. You should just re-enroll, because then you can finish your PhD.” So, there you go. I circled back. Not everybody circles back, but you can. For many things that you choose to quit, you can go back. And it’s something you should think about.

My quitting really has informed the rest of my life. I became a much bigger quitter. I realized that that fear of what’s on the other side should really go away. Because there’s stuff on the other side.

I know there are people who have circumstances where they can’t just go quit their job. And I’m not suggesting that they do that if they have to make rent. But what I did learn from that is: no matter what your circumstances are, if you can create one more option for yourself, your life will be better because you’ll be more rational. It will help you to be more rational about whether you want to stay with what you’re doing or quit. If you can just create one more option for yourself, you’re better off. ■

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# *Vengeance Is Not Mine*

**After the Second World War, America chose mercy. A new book by Hoover visiting fellow Zachary Shore explains why US leaders saw both moral and practical reasons to lift up their former enemies.**

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**By Jonathan Movroydis**

**N**ational security visiting fellow Zachary Shore describes his new book as an exploration of the roots of good judgment in foreign policy. In a series of case studies from World War II and its aftermath, he illustrates that when the United States exacted excessively punitive measures against its adversaries, the consequences were disastrous. He also shows how Americans, seeking atonement for these destructive policies, later pursued merciful treatment of their former foes.

In his research at the Hoover Institution Library & Archives, Shore also discovered details of Herbert Hoover's survey of destruction and famine in Europe after the Second World War. The devastation Hoover saw firsthand prompted him to organize a campaign to address a food crisis that was affecting not only Europe but much of the rest of the world. Through these

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*Zachary Shore is a national security visiting fellow at the Hoover Institution and a professor of national security affairs at the Naval Postgraduate School. His latest book is **This Is Not Who We Are: America's Struggle between Vengeance and Virtue** (Cambridge University Press, 2023). Jonathan Movroydis is the senior content writer for the Hoover Institution.*

efforts, Hoover stressed that instead of enacting vengeful policies, in particular against Germany, Americans should live up to their values and uplift their former foes.

**Jonathan Movroydis:** Why did you write this book?

**Zachary Shore:** I started out writing a book on wisdom, and it morphed into a book about vengeance, so the end product is not what I was expecting. Sometimes books take on a life of their own. But I really wanted to understand the roots of good judgment in foreign policy. So, I started studying the Marshall Plan, which I believe is an excellent example of wisdom in world affairs. I realized that the Marshall Plan was the reversal of an earlier policy called the Morgenthau Plan, which was in place during the Allied occupation of Germany for the first two and a half years after the Second World War. This was a vengeful policy, with disastrous consequences.

**Movroydis:** What was the Morgenthau Plan?

**Shore:** Henry Morgenthau Jr. was the secretary of the treasury and the only Jewish member of President Franklin D. Roosevelt's cabinet. He was a very successful and savvy Washington operator who wanted to have influence in a lot of different areas of public policy, one of which was the occupation of postwar Germany. His plan was to deindustrialize Germany, to strip away all the modern factories and machinery, so that it could never again produce weapons of war.

Many officials within the Roosevelt administration tried to stop the plan, because they realized that the process of returning Germany to an agrarian state would lead to mass starvation. The plan was watered down a bit, but it still proved extremely harsh. Many people did end up dying of starvation.

**Movroydis:** How did the US government reverse course and adopt the Marshall Plan?

**Shore:** The US policy that Morgenthau had shaped was so harsh and cruel because it forbade US occupiers from helping the Germans to rebuild. General Lucius Clay was the American commander who oversaw the US occupied zone. In a 1975 interview, Clay reflected that under the restrictions imposed on US occupation forces, reconstruction was impossible, saying, "If you followed it literally, you couldn't have done anything to restore the German economy." Clay said that he flouted orders and tried to at least skirt the policy itself to provide food and support for suffering Germans, many of them children.





***MALICE TOWARD NONE: Secretary of State George C. Marshall testifies before Congress in January 1948. The former general campaigned for a vast economic mission to help Europe rise from the ruins of World War II, stressing that “political passion and prejudice should have no part.” Over four years, Congress appropriated \$13.3 billion for European recovery.*** [US National Archives]

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The policy also made little practical sense. American taxpayers were sending money to Germany while US leaders weren't allowing that country to get on its own feet. And Germany was the driver, and still is in many ways, of a prosperous, vibrant Europe. As former president Herbert Hoover said, “We can keep Germany in these economic chains, but it will also keep Europe in rags.”

***Movroydis:*** The subtitle of your book is “America’s Struggle Between Vengeance and Virtue.” It seems that all countries have grappled with this struggle. But what is unique about America’s struggle?

***Shore:*** I don’t argue that America is unique in its goodness, of course. No one should say that one country is good and another bad. Countries are just collections of individuals and organizations and institutions that do good and bad things over time. Americans in the 1940s, and I think many times throughout their history, have seen themselves as a uniquely noble people.

# DER MARSHALLPLAN



As evident from many of the writings and speeches produced in the period, many political leaders were very fond of saying, “The Americans, we are a fair-minded people.” Before Pearl Harbor, a group of Americans even formed what they called the “Fair Play Committee,” which advocated for the just treatment of Japanese-Americans.

Many people felt that certain policies the US government was pursuing during and after the war did not live up to those ideals. And that is when you heard them saying, in so many words, “this is not who we are.” And that is what this book is about, this struggle between different factions in the United States, those who sought more vengeful policies and those who said, “Remember, we’re a people of fair play, and we need to live up to that ideal.”

**Movroydis:** The theme of part one in the book is America’s struggle with vengeance. In the case of the Morgenthau Plan, you explain that Americans were broadly against this policy, as were many top leaders, including the aforementioned General Lucius Clay. But if Americans were broadly against these and other policies, why did the government carry them out?

**Shore:** That’s the key question that I address in part one. What I found was that the people who supported vengeful policies were very well coordinated, and they often orchestrated their efforts to get those policies implemented. Meanwhile, the opponents of these policies were disparate, disconnected, and failed to work in concert. Had they done so, they very possibly could have blocked those vengeful policies.

There was a famous Gallup poll taken just a few days after the announcement of the dropping of the nuclear bomb on Hiroshima that showed 85 percent of the American public supporting that decision. What I point out in the book is that almost no Americans had any idea what a nuclear bomb was, mainly because one had never existed. It was presented to them as just a really big bomb.

Another Gallup poll, taken just a few months before the bomb was dropped, asked, “Would you support the use of poison gas against the Japanese if it would shorten the war?” Nearly half of Americans said no, and only 40 percent said yes. Now, 40 percent is still high, but it is not a majority.

***CHARITY FOR ALL: A German poster (opposite) touts the benefits for war-torn Europe of the European Recovery Program (ERP), dubbed the Marshall Plan, and highlights its American inspiration. Author Zachary Shore singles out the Marshall Plan as an example not just of admirable ethics but of wise judgment.*** [Alamy]

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How is it possible that Americans could have opposed the use of poison gas yet supported a far more deadly, horrific, and long-term devastating nuclear attack? I don't believe it is. And as Americans learned more over time about the level of death and destruction the bomb brought on Japanese society, support for that decision has steadily eroded.

**Movroydis:** In your study, what did you learn about the different ways Americans have sought atonement for destructive policies?

**Shore:** The second part of my book is about the different ways that Americans tried to pursue more merciful treatment of their former foes in the face of opposition. Aside from abandoning the Morgenthau Plan in favor of the Marshall Plan, there were other instances in which Americans exemplified merciful behavior in atonement for past actions.

One of them was a movement to atone for the atomic bombs dropped on Japan that started with a Presbyterian minister in Virginia and then spread to churches across America. When the movement reached the higher body of the Federal Council of Churches, it developed into a plan to build an International Christian University on the outskirts of Tokyo. I have been to that university and conducted research in its archives. It's an impressive place. That is one concrete example of a way that Americans wanted to contribute.

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***“When a government is pursuing cruel policies that inflict needless suffering on others, whether actual or perceived enemies, people need to speak up.”***

to churches across America. When the movement reached the higher body of the Federal Council of Churches, it developed into a plan to build an International Christian University on the out-

skirts of Tokyo. I have been to that university and conducted research in its archives. It's an impressive place. That is one concrete example of a way that Americans wanted to contribute.

**Movroydis:** I understand that you also did research for the book at the Hoover Library & Archives. Can you tell us what you discovered there?

**Shore:** I didn't realize before doing this research just how active and involved Herbert Hoover was in post-World War II policies and relief. Not only was he crucial in drawing America's attention to the global food crisis that existed after World War II, but he also had some concrete influence on policy. One useful set of documents I found in the archives is the diaries of Hoover's confidant Hugh Gibson, who had served as US ambassador to Belgium in the 1930s. Gibson traveled with Hoover all across Europe in 1946 and 1947, surveying a famine that was sweeping across many parts of the world following the war. Think about all the destruction caused by World War II—roads, bridges, canals, machinery, and work animals were bombed and destroyed.



This devastation inhibited food production and transportation to cities and was causing mass starvation.

This experience led Hoover to organize one of the largest humanitarian relief campaigns in history. It was an extraordinary effort. What we find in the archives documents

the details of what it looked like to be traveling through Europe and seeing not just suffering but the brutality commit-

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***“They realized that the process of returning Germany to an agrarian state would lead to mass starvation.”***

ted by the Soviet Union in the parts of Eastern Europe that it was occupying.

When he returned from his survey trips, Hoover would give talks to audiences around America to raise awareness and persuade people to sacrifice and help starving people around the world.

When he talked about Germany, he said, “Our flag flies over this area. We do not want to preside over a nation of Buchenwalds.” What he meant, of course, was that we can’t be occupiers that are as cruel as the Nazis were to their prisoners. We must lead by example. We must live up to our virtues and make sure that we uplift people, feed them, see that they’re clothed, see that they can rebuild, and help them in every way to get back on their feet.

***Movroydis:*** What are some of the surprises that you learned when researching and writing this book?

***Shore:*** There were so many. One of them, as I just mentioned, was the extent of Herbert Hoover’s involvement in post-World War II humanitarian relief and policy formation. He actually had influence, inadvertently, over Truman’s decision to drop the bomb. That is a story I tell in the book.

But another surprise was the role of first lady Eleanor Roosevelt, which was the opposite of what I had expected.

It turns out that Eleanor Roosevelt supported the dropping of nuclear bombs

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***“Herbert Hoover said, ‘We can keep Germany in these economic chains, but it will also keep Europe in rags.’”***

on Japan as well as the vengeful Morgenthau Plan, probably because she and FDR were very close friends with Morgenthau and his wife. She also publicly supported the internment of Japanese-Americans and Japanese nationals, even though that policy did not reflect her actual beliefs. As the wife of the president, she could not openly protest her husband’s administration.

Eleanor Roosevelt gave a national radio address in which she explained that people of Japanese origin would be moved from their homes on the West Coast and into what were in effect concentration camps. She acknowledged that some “friendly aliens” would have to suffer temporarily to ensure the vital interests of the nation. It was a substantial downplaying of the four-year ordeal inflicted on 120,000 people, most of whom were American citizens.

**Movroydis:** What lessons can readers take from our history as described in your book, especially in terms of how we support and influence our leadership’s policy decisions?

**Shore:** I think there are many. One would be when a government is pursuing cruel policies that inflict needless suffering on others, whether actual or perceived enemies, people need to speak up and oppose such actions. There are many others, but that is the most important one. ■

***Special to the Hoover Digest.***



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# *Vietnam in a Dark Mirror*

Fifty years after the US withdrawal from Vietnam, historians are still refighting the war. **Mark Moyar's** latest book continues to challenge much of the conventional wisdom.

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**By Victor Davis Hanson**

**M**ilitary historian Mark Moyar has just published *Triumph Regained: The Vietnam War, 1965–1968*, the second in what will become a massive three-volume revision of the entire Vietnam War. It is a book that should be widely read, much discussed, and reviewed in depth regardless of one's view of that sad chapter in American diplomacy and conflict.

The first book, *Triumph Forsaken: The Vietnam War, 1954–1965*, appeared in 2006. It gained considerable attention for its heterodox analysis of the postwar origins of communist aggression against the South, beginning with the disastrous French colonial experience and its transference to the Americans. Moyar described the byzantine intrigue through which the Kennedy

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*Victor Davis Hanson is the Martin and Illie Anderson Senior Fellow at the Hoover Institution, the chair of Hoover's Working Group on the Role of Military History in Contemporary Conflict, and a participant in Hoover's Human Prosperity Project and its National Security Task Force. Mark Moyar participates in the Hoover Institution's Working Group on the Role of Military History in Contemporary Conflict. He is the William P. Harris Chair of Military History at Hillsdale College and a senior fellow at the Foreign Policy Research Institute.*

administration inserted American ground troops into Vietnam, and why and how his successor, Lyndon B. Johnson, rapidly escalated the American presence.

Moyar's controversial argument in volume one centered on the disastrous decisions of these two administrations that ensured Americans would be sent into an uninviting, distant theater of operations in the dangerous neighborhood of both communist China and Russia. Worse, they would be asked to fight under self-imposed limitations of the nuclear age in which their leaders could not achieve victory or perhaps even define it.

Still, Moyar argued that there was nevertheless a chance to achieve a South-Korea-like solution at much less cost, one that was thrown away through a series of American blunders. Most grievous was the American support for the 1963 coup that removed South Vietnamese strongman Ngo Dinh Diem and led to his almost immediate assassination, even as he was evolving into a viable wartime leader.

Moyar additionally deplored the biased and lockstep reporting of antiwar media, including its icons David Halberstam (*The Best and the Brightest*) and Neil Sheehan (*A Bright Shining Lie*), who operated on ideological premises alien to the reportage in World War II and Korea. Both characteristically exaggerated American shortcomings consistent with

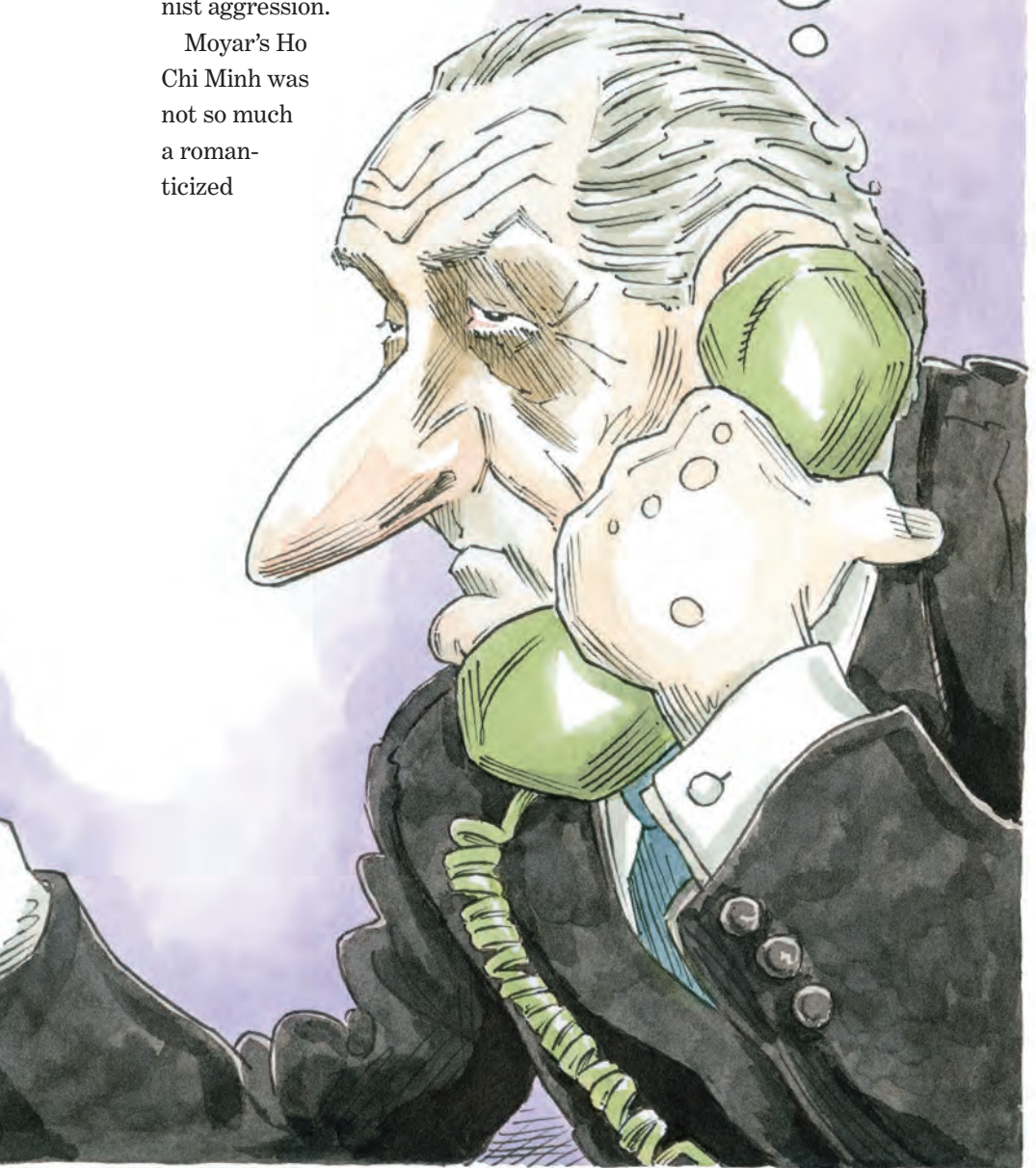


[Taylor Jones—for the *Hoover Digest*]

their theme that Vietnam was an anticolonialist war of liberation rather than a Cold War proxy fight over unilateral communist aggression.

Moyar's Ho Chi Minh was not so much a romanticized

TO WIN A WAR  
OR WIN AN ELECTION?  
THAT IS THE  
QUESTION.



“Uncle Ho” national liberationist of the antiwar movement as a hard-core Stalinist whose agenda at any cost was always the absorption of all of Vietnam into a Soviet-satellite communist dictatorship.

This new second book of the saga follows and expands these themes, with the same scholarly rigor and comprehensive documentation that includes translated North Vietnamese archives as well as a number of memoirs of key American figures that have appeared in the seventeen years since the appearance of the first volume. Most important, *Triumph Regained* is the first comprehensive combat history of the war that documents all the major battles of these four years, which saw US troop levels in Vietnam peak in 1968 at well more than a half-million soldiers.

## **A NOW-FAMILIAR INDECISION**

There appears a tragic monotony to these accounts of near-weekly battles. Initial communist probing attacks are designed to prompt an American response. The subsequent ambush of US troops follows as they are air-dropped into these remote jungle and mountainous theaters. Then, like clockwork, a quick recovery ensues as Americans size up the enemy landscape, call in murderous artillery and napalm attacks, and inflict terrible casualties. Then, a few hours or days later, Americans fly out of the now-abandoned combat zone. They usually have suffered “moderate” numbers of killed in action, characteristically a tenth to even a hundredth of the losses inflicted on the North Vietnamese—but all to be reported from the front as a futile wastage of American lives.

Still, Moyar also shows that too often the United States lacked a comprehensive strategy of victory and was shackled by unworkable rules of engagement—a now familiar dilemma in the half century that followed in Afghanistan and Iraq. Most grievously, the military was too often blocked from fully interdicting supplies and manpower of the communists at their sources in North Vietnam, Laos, and Cambodia. Yet the more enemy men and materiel entered the theater unimpeded, the more a frustrated administration sought to compensate by increasing the numbers of American soldiers, purportedly in the fashion that had finally brought a stalemated victory in Korea.

Moyar’s Lyndon Johnson at times seems a tragic, Hamlet-like figure. LBJ always claimed that he did not wish initially to send troops to Vietnam. But he was purportedly persuaded to do so by his hawkish Kennedy-leftover advisers—only eventually to be lectured to exit ignominiously by the very former zealots who had advised him to escalate in the first place. Moyar’s late-phase Johnson remains a complex character, subject to constant bouts





***HONOR: Retired Army colonel Paris Davis, eighty-four, who served as a Green Beret in the Vietnam War, received the Medal of Honor in March 2023. Davis, a captain in 1965, led a special forces team and South Vietnamese soldiers during a fierce battle that year. Wounded multiple times, he saved the lives of other soldiers while refusing evacuation for himself.*** [Bernardo Fuller—US Army]

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of self-doubt, self-pity, and lethal indecision. He harbored a natural—and correct—suspicion of his condescending and politically fickle old-time liberal Cold Warriors, especially the fixer Clark Clifford, the former whiz kid Robert McNamara, and the Brahmins Averell Harriman and the Bundy brothers. Yet, when it most counted, LBJ ultimately yielded to their flawed, politically motivated reversals, and rejected the sounder realist assessments of his inner circle of Ellsworth Bunker, Dean Rusk, Walt Rostow, and Maxwell Taylor.

Moyar offers a number of reassessments that may surprise both diehard critics of the war and those who felt victory was “forsaken” by Congress and our so-called wise men. General William Westmoreland, for example, is usually written off now as the father of futile “search and destroy” missions that defined progress only by inflating enemy body counts and sent American soldiers into remote jungles where they were easily ambushed. Not quite true, Moyar shows.

Westmoreland's forward deployments prevented the North Vietnamese from massing troops for major attacks and kept them away from South Vietnamese population centers. That buffer was one reason why ARVN (Army of the Republic of Vietnam) forces grew steadily, numbering more than one million by 1968, and often were achieving parity against the North Vietnamese. Moyar believes that the pacification strategies—championed by the media hero John Paul Vann—were demonstrably flawed in comparison.

In Moyar's account there was no real "Viet Cong," a construct that he shows consisted of little more than a few thousand communist agents in the South who posed as a large popular resistance movement. In truth, most hostile groups in the South of any size were infiltrating communist troops from North Vietnam and they had almost no popular support among the South Vietnamese.

## **FALSEHOODS**

The media continued to peddle fake news. Despite the claims of journalists and antiwar activists (often the same players), American public opinion supported the war for years. The people did not begin to turn against Vietnam until they tired of futile policies that either could not or would not unleash the military to win the war. Moyar suggests Americans were willing to assume enormous costs in the Cold War, but not in ossified theaters where their sons' sacrifices were not in the service of victory.

It is also not accurate that Johnson's "Rolling Thunder" air campaigns were nonsensical, indiscriminate area bombings that slaughtered civilians without achieving much utility, in supposed contrast to the deadly Linebacker I and II precision and smart-bombing campaigns that followed during the Nixon administration. In fact, North Vietnamese archives reveal that even Rolling Thunder terrified the enemy, especially during the abject obliteration of Tet forces surrounding Khe Sanh. Most of the communists' later diplomacy was designed not to achieve a two-nation settlement but to stop at any cost the devastating bombing. The costly American missions had finally been honed to cripple communist supplies that were not declared politically out of reach. They killed thousands of enemy troops in the field and helped force the Vietnamese to the Paris peace conference.

Far from a pivotal communist victory, as reported by the media, the 1968 Tet offensive holiday surprise attacks proved a veritable bloodbath for the North. After their unsustainable losses, the North Vietnamese essentially gave up major conventional offensive operations, and in fear of American firepower withdrew a credible presence in the South—even as Walter



Cronkite and the network news declared that enemy corpses on the Saigon embassy lawn were proof of a fatal US defeat warranting withdrawal.

General Creighton Abrams, the successor to Westmoreland as commander of US forces in Vietnam, was indeed an inspired supreme commander. But he was not necessarily always the corrective to a supposedly incompetent Westmoreland. Moyer controversially argues that Abrams wisely continued Westmoreland's search-and-destroy missions for a time. He eventually stopped them not because they had failed but rather because they had successfully eroded communist concentrations to such a degree that they could be slowly discontinued.

The disconnect between the American media and the realities of the war, evidenced in the North Vietnamese official archives, remains striking. Moyer juxtaposes the news media assuming the inevitable victory of the North Vietnamese with the communists despairing that they were losing to the Americans. Each evening at home, as the US public was told that Americans were being systematically

killed and crippled by far more adept "jungle fighters," the communists were mired in depression as they saw their mounting losses as unsustain-

able and found no alternative to going to Paris to negotiate a reprieve. The American military leadership whom the media mocked as inept, and the soldiers who were caricatured as drug-ridden, crazed, disobedient, and near insurrectionary, were never seen as such by "Charlie" who had to fight them. No wonder, then, that by late 1968, the Soviets were finally preferring an end to the war, while their Chinese rivals eventually gave up on their North Vietnamese clients. Both feared the growing likelihood of an independent and pro-Western Vietnam in Southeast Asia.

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***Far from a pivotal communist victory, the 1968 Tet offensive surprise attacks were a veritable bloodbath for the North.***

## **A POLITICAL COLLISION**

Ultimately, what undermined the Johnson administration's war effort was its rank politicization of the conflict. LBJ became terrified that the left-wing antiwar movement would force him out of office in 1968 in favor of an antiwar candidate unless he capitulated and ordered a bombing cessation, froze troop increases or pulled soldiers out of Vietnam, and perhaps agreed to the unhinged calls for a "coalition" government in the South. Johnson's despair, of course, was ironic because, for most of his tenure, the old politico enjoyed a Democratic supermajority in the Senate and a huge majority of over 150

seats in the House, ensuring the Democrats could do anything they liked in the war, which of course they had begun and owned.

To the degree Johnson gave in to the pacifists in his circle, the increasingly viable American effort stalled. After his refusal to seek re-election in early 1968, LBJ then found himself in a truly Orwellian situation. Vice President Hubert Humphrey, to win both the nomination and the 1968 general election, felt he would have to distance himself from his president and boss. By November, the politics became more surreal. LBJ had to endorse Humphrey even as he realized that Richard Nixon would far more likely continue LBJ's effort that by 1968 was finally winning the war—while his own party would end it and destroy all the hard-won progress of the last two years.

We talk today about “collusion” and “political interference” in our elections, without remembering that Johnson and his subordinates were past masters at it. Most White House discussions about the peace talks and their connection to bombing halts were predicated not just on military efficacy but on what might play best to the Democratic antiwar base and win back the American electorate in 1968.

Moyar relates that the communist world and Europe openly rooted for a Humphrey victory over Nixon and was willing to interfere in our elections.

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***General Westmoreland's forward deployments prevented the North Vietnamese from massing troops for major attacks.***

Indeed, Soviet Ambassador Anatoly Dobrynin secretly offered the likely nominee Humphrey and his campaign a sizable campaign donation among other aid (refused,

but not disclosed by Humphrey) to defeat the globally detested Cold Warrior Nixon. LBJ and his advisers were convinced that some in the 1968 Nixon campaign were colluding with the Saigon leadership to block any concessions at the Paris talks. No such proof was ever found. No matter: Johnson wiretapped US citizens in a vain effort to prove the empty rumors. In truth Johnson himself halted the bombing, and his team grew lenient in Paris to aid the suddenly surging 1968 Humphrey campaign.

We talk of a “Vietnam War.” In fact, it was a Cold War communist proxy effort that saw more than a hundred thousand Chinese auxiliaries engaged in supply and repairing Vietnamese infrastructure, while thousands of Soviet “advisers” drove tanks, flew planes, and organized and operated antiaircraft systems. Vladimir Putin's current objection to US military aid to Ukraine is again ironic, given Russia was historically an active participant on the

ground in Vietnam and both directly and indirectly killed Americans in efforts to defeat the United States.

## THE BIGGEST QUESTION REMAINS

Moyar ends volume two on a mixed note. An exhausted and beaten North was negotiating in fear that its massive losses of 1967–68, if continued, would threaten the Hanoi regime itself. An elected Republican hawk, Richard Nixon, inheriting a war that already had cost thirty-five thousand dead, was now opposed by the same Democrats who started it. A growing number of frustrated Americans wanted either to win the war or to get out. Nixon would soon take the gloves off, ensuring that a nearly defeated North would be subject to greater bombing pressures—even as the antiwar left, enjoying complete control of a Congress that was suddenly liable to cut off aid to Saigon, could more easily mobilize against a now-oppositional and conservative White House—and the elements of the Watergate debacle were on the distant horizon.

Moyar draws on a tradition of Vietnam War revisionism, especially Don Oberdorfer’s corrective on the Tet offensive, Lewis Sorley’s thesis of a radical American improvement under Creighton Abrams, and Michael Lind’s unorthodox but well-argued thesis that the “necessary” Vietnam War sought to ensure American Cold War credibility and diverted communist aggression from other more strategically important US allies and vulnerable neutrals.

Moyar does not answer in this second volume the existential question that has haunted America long after the war: was the price tag of fifty-eight thousand dead Americans and trillions of dollars of treasure worth paying to try to keep South Vietnam autonomous and to check Soviet expansionism? Or would a better-managed effort leading to a free Vietnam at far less cost have been worth it?

For those answers, we await Moyar’s third and final volume. ■

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Available from the Hoover Institution Press is **A Hinge of History: Governance in an Emerging New World**, by George P. Shultz and James Timbie. To order, call (800) 888-4741 or visit [www.hooverpress.org](http://www.hooverpress.org).



# *Hunting the Big Game*

**In 1945, the US military sent a special team of alpinists to explore the mountaintop retreats of top Nazi leaders. One member reconnoitered the hunting lodge of Hermann Goering, and brought home unique evidence of the lifestyles of the rich and infamous.**

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***By Jean McElwee Cannon***

**T**he Bavarian Alps rank high in world renown for their stunning beauty: snow-capped mountains, green rolling hills, alpine lakes, chalet architecture, and roaming deer and ibex and golden eagles. The mountain range also contains a dark history: during the 1930s and 1940s, this scenic area became coveted by high-ranking German political and military officials who established summer homes and hunting lodges in the hills. From these luxurious mountain getaways, they would strategize battles or propaganda campaigns while also shooting game animals imported from the Berlin Zoo or neighboring Axis allies.

A new collection recently donated to the Hoover Library & Archives tells the fascinating story of a May 1945 patrol, led by a celebrated mountain climber, that uncovered amazing physical evidence of the lifestyles of the German elite who convened at the Berchtesgaden hunting lodge owned by

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*Jean McElwee Cannon is curator for North American Collections at the Hoover Institution Library & Archives.*

Hermann Goering, Hitler's head of the Luftwaffe during World War II. The collection, now fully digitized and available to the public through Hoover's digital portal, contains dozens of candid photographs taken at the hunting lodge and another unique item: a pair of leather lederhosen worn by Goering himself while enjoying his mountain vacations in the Alps.

According to a patrol report dated May 23, 1945, held in the recently acquired collection of Donald Wayne Richardson (who, as an expert ice climber, served as a second lieutenant and alpine patrol leader for the 327th Glider Infantry Regiment of the US Army at the end of the war), Richardson was requested to explore

the area south of the Königssee Lake in the Berchtesgadener district of Bavaria, near the Austrian border. The purpose of the mission was

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***The zookeeper launched an ambitious program to breed the mythic, extinct animals of Germany's supposedly "purer" past.***

to "search the area south of the Königssee for anything of military value." The patrol report is written in the terse, laconic style typical of military missives: adhering to facts, it reports that the patrol searched buildings, homes, and hotels, finding an old "Mae West" (a pilot's inflatable life preserver—so named because it gave the pilot the buxom figure of the famed film star), a somewhat obsolete gasoline engine, and five cases of food in the basement of an inn.

Overall, in terms of uncovering practically usable materials such as ordnance or equipment, the patrol was a failure. Embedded within the report, however, are rich details that illuminate items held in the Richardson Collection—many of which were retrieved by Richardson from Hermann Goering's hunting lodge just weeks after Goering surrendered to the Allies on May 6, 1945. Richardson reports that the patrolling team visited Goering's personal hunting cabin in the Roth district, finding it "furnished very nicely" with ten beds. The soldiers spent the night there, in the beds of their former enemies. They found pens where big game animals were held by Goering for his hunting parties. They also uncovered a cableway in good working order that was used to transport animals and supplies to the cabin.

## **RACIAL PURITY—FOR CATTLE**

Not mentioned in the report is the fact that Richardson left Goering's cabin with an artifact imbued with enormous power to illuminate Nazi life in the Alps: a photograph album showing Goering at the lodge with friends and



***THE ICE MAN: Donald Wayne Richardson, born in Maine, joined the US Army as an experienced ice climber and skier. After his patrol in the Alps in 1945 he settled in Oregon, where he became a renowned architect and boatwright. He also painted watercolors, using a beer stein from Hermann Goering's hunting lodge to hold his paint brushes.*** [Donald Wayne Richardson Collection—Hoover Institution Library & Archives]

notable high-ranking German officials—including Lutz Heck, director of the Berlin Zoo during the war and an enthusiastic member of the SS. The inscription on the album describes the book as a “diary in snapshots” spanning 1935–40, created by Heck and dedicated to the “huntmaster” Hermann Goering.

The pages of the album feature pictures of Goering (often wearing traditional alpine lederhosen) posing with dead animals or exotic pets such as baby lions, of which he was said to be fond. Also included are images of gift animals arriving at the cabin: an Italian stag sent by Mussolini, for example,



LODGE WITH FLAG.



Im Bärpark 1935

In der Röhre

Hütte mit Flagge

**OUTDOORS:** *The hunting lodge of Hermann Goering, head of Hitler's air force, hosted gatherings of top party officials who indulged in hunting and fresh-air activities. The Nazi ideology emphatically encouraged Germans to aspire to health and athleticism. The lodge was part of an outpost of the Reichschancellery that was centered on the municipality of Berchtesgaden, along the Austrian border.* [Donald Wayne Richardson Collection—Hoover Institution Library & Archives]

and an eagle from Hitler. The crates and cableway used to transport the animals up dramatic slopes are also featured. An interior shot shows the rustic decor of the cabin, replete with leather-bound books, candelabra, heavy drapes, and carved wooden furniture. Exterior shots from both winter and summer show in turn the cabin in the snow and nestled in wildflowers.



*Luftbildgarden mit Wetzmann*

*Prof. L. Auerman.*

The landscapes, animals, clothing, and architecture featured in the Donald Wayne Richardson Collection speak toward Nazi Germany's aspirations to revive pristine landscapes and symbolic animals of a mythic past. Heck, hunting partner to Goering and a committed Nazi Party member, extended the Nazis' aspirations toward genetic purity into animal research. Alongside his younger brother Heinz, also a zookeeper, Heck launched an ambitious program to "back breed" animals—he sought to re-create mythic, extinct animals from Germany's supposedly "purer" past by selecting and breeding animals with desirable traits until an approximation of the extinct animal was achieved. In particular, Heck aimed to reintroduce the auroch—a large, horned breed of

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***The soldiers spent the night in the Nazi leader's "nicely" furnished lodge, sleeping in the beds of their former enemies.***

cattle that went extinct in 1627. Before the discovery of the double helix of DNA in 1953, animal husbandry was widely accepted as a means of purifying traits, and Heck believed that with enough experimentation he could repopulate the Bavarian Alps with the same animals that existed during the time of Germany's ancient, heroic past.

Heck found a powerful ally in Hermann Goering who, among many other titles he carried under Nazi rule, was made Reich Master of the Hunt and of German Forests in 1933. Politically empowered, Goering pushed through the Nature Protection Law, through which he could appropriate funds for his vast baronial estates and hunting interests. In 1938, Goering bestowed the title of head of the Nature Protection Authority on his good friend Lutz Heck. The two would go on to pillage animals from lands in Poland and from the Warsaw Zoo in 1941 (a looting dramatized in Diane Ackerman's 2007 bestselling book, *The Zookeeper's Wife*).

## **INTO THIN AIR**

The photograph album, saved from possible oblivion by Richardson, unlocks the visual record of attempts by Goering and Heck and their familiars to build an adult alpine fantasyland wherein dairy maids and heroes in

***INSPIRATION: Many have marveled at the contrast between the stunning Bavarian Alps—snowy mountains, green hills, lakes, roaming deer, golden eagles (opposite)—and the dark project the Nazi regime was planning and perpetuating.*** [Donald Wayne Richardson Collection—Hoover Institution Library & Archives]

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Obersalsberg 1935

***BEASTS: Throughout the 1930s and '40s, Hermann Goering housed pet baby lions taken from the Berlin Zoo at his various estates. Symbols of prestige and power, the lion cubs would entertain guests until they became too large and aggressive to be safe, then were returned to the zoo. By the end of the war, many lions in the Berlin Zoo had been maimed or killed by bombs or had escaped and been slaughtered for food by starving Berliners.*** [Donald Wayne

Richardson Collection—Hoover Institution Library & Archives]

lederhosen frolic amongst chimerical animals on scenic hills. Happily for researchers in the collection, however, the photographic evidence of the period is not limited to this disturbing Nazi reverie; also included in the collection are photographs of Richardson himself during his climb to the cabin. Pinioned with ropes and cables, Richardson leans against the rock and ice



***THE BIG CATCH: Goering was often mocked for his girth. The size of these lederhosen, knee-length leather shorts traditionally worn in rural parts of Germany, gives an indication of the Reichsmarschall's build. American prosecutors would refer to Goering jokingly as "Fat Boy" during the Nuremberg trials after the war. This garment is part of the Richardson Collection.*** [Donald Wayne Richardson Collection—Hoover Institution Library & Archives]

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of the Alps with a huge drop below—a testament to the difficulty of reaching the lodge overland. Even more telling is a picture of the young soldier on the deck of the cabin itself, with a look of bewilderment upon his face. Richardson's expression conveys a sense of the eeriness represented by the cabin and the photograph album—the sense of a place outside reality, where misguided myths hid the murderous and the cruel.

WHAT IS AN "ARYAN"?  
HE IS STREAMLINED



AS GOERING

REPRODUCED FROM SOVIET WAR POSTER 1941 · BY RUSSIAN WAR RELIEF INC.





**TARGETS AND SYMBOLS:** Benito Mussolini, the Italian dictator, gave Goering an Italian stag. Hitler gave him an eagle. The pages of Goering's photo album are full of poses with both live animals and dead ones killed during hunts. Goering arranged for a law that ostensibly protected forests while also further enriching himself and his properties. [Donald Wayne Richardson Collection—Hoover Institution Library & Archives]

When the photograph of Richardson in uniform at the lodge is placed beside the pictures of Goering in his lederhosen, the young, tall, trim soldier emerges as a symbol of reality confronting the ghosts of an emphatically anti-modern past.

After being tried and sentenced to death during the Nuremberg trials, Hermann Goering committed suicide by cyanide pill on October 15, 1946—the night before he was to be hanged. Since that time, the Bavarian country residences of high-ranking Nazis have almost all disappeared; many of the houses were demolished at the end of the war to evade siege by the Soviets, while others were destroyed in the 1950s as Germans sought to heal from the war and recover from the violence of their past. (Hitler's own alpine aerie, the "Eagle's Nest," survives and is open to visitors who come to Berchtesgaden to tour the Nazi regime's mountain redoubt. The chalet is owned by a charitable trust and serves as a restaurant and beer garden.)

For the rest of his life, Donald Wayne Richardson kept Goering's photograph album and medieval hunting costume as a lasting memory of the

**NOT IDEAL:** This World War II poster (opposite) repeats the theme of mocking Goering's appearance, making a pointed contrast with Nazi propaganda that touted the physical perfection of the "Aryan race." [Poster collection—Hoover Institution Library & Archives]

**VERTIGO:** A remarkable feature of Goering's alpine hideaway was a cableway, which was still intact when Richardson's unit explored the area. This page from Goering's album shows the cable system along with crates used to transport the animals up the dizzying slopes. It also shows the difficulty of the terrain that the US soldiers had to negotiate to reach the site.

[Donald Wayne Richardson Collection—Hoover Institution Library & Archives]



**FUEHRER:** Adolf Hitler had been vacationing in the Bavarian Alps since before he came to power. Postcard and newspaper photos such as these put him at the center of a gentle, pastoral, traditional world. [Donald Wayne Richardson Collection—Hoover Institution Library & Archives]



***ON DECK: Richardson surveys the Alps from the deck of Goering's hunting lodge. The cabin and its surroundings projected a sense of eeriness—a place outside reality, where myths of Germany's past hid murderous and cruel impulses.*** [Donald Wayne Richardson Collection—Hoover Institution Library & Archives]

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ideology he fought against during the Second World War. While his patrol may not have yielded items of military value, it certainly preserved items of cultural value—items which now, in the hands of researchers of the Nazi regime, provide unique clues to the disturbing values of German fascism. ■

*Special to the Hoover Digest.*



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Available from the Hoover Institution Press is ***In the Wake of Empire: Anti-Bolshevik Russia in International Affairs, 1917–1920***, by Anatol Shmelev. To order, call (800) 888-4741 or visit [www.hooverpress.org](http://www.hooverpress.org).



# On the Cover

“**T**he Story of the Battle of Gettysburg and Description of the Painting of the Repulse of Longstreet’s Assault by James Walker and of the Steel Engraving from it by H. B. Hall, Jr.”

A super-sized painting demands a super-sized description. This is the title of a booklet written to accompany an immense work of art—a very small detail of it appears on this *Hoover Digest* cover—that traveled the country after the Civil War as a sort of steam-era multimedia project.

But even that title didn’t say it all. On the booklet’s cover is another name, that of its author: John Badger Bachelder (1825–94), a painter and historian who made himself the foremost authority on the three-day Battle of Gettysburg, the military turning point of July 1863. Bachelder was attached to the Union army as an illustrator. Immediately after Lee’s Confederates were driven back in defeat, Bachelder began roaming the battlefield, sketching and mapping, interviewing the wounded, stumbling over hasty graves, and launching a thirty-year mission not only to learn everything there was to learn about the titanic clash but to present that information to an eager country.

But this panorama—a staggering twenty feet long and seven and a half feet high, weighing fourteen hundred pounds in its gilded frame—is not Bachelder’s. An artist named James Walker (1818–89) painted it, under Bachelder’s excruciatingly detailed direction. The “pleasing and lifelike” picture—facing west, toward



the war's decisive clash—was the union of Bachelder's research and Walker's artistic skill. It took six years.

Bachelder rejected “the stereotyped style of battle pictures taught us in our earliest schoolbooks . . . in which giants in stature struggle in fierce hand-to-hand conflicts. . . . My purpose has been to present a truthful representation of an American battle.” Not only truthful, but exhaustive. Once the work was complete in 1870, thousands flocked to see it, noting the wealth of detail: every commander, every unit, was there. So were discarded rifles and caps, wounded horses and troops, fences, houses, and countless tragic and heroic vignettes. Several Gettysburg generals vouched for its accuracy. After its debut in Boston, the painting (“the grandest battle scene ever put on canvas”) toured other cities “to delight and instruct.” Audiences paid for lectures and bought copies of the guidebook and lithographs and etchings. A souvenir “key to the painting” was a map with no fewer than 184 entries.

Walker had already made a name for his military art, including a representation of the 1847 storming of Chapultepec (that painting a mere seventeen feet long). But this made him famous. Later in life he went West, painting vaqueros and other California scenes. He died in Hollister, where his brother, Thomas, was a prominent citizen.

The painting today rests in a public library in Spartanburg, South Carolina, courtesy of its owners, philanthropists Susu and George Dean Johnson Jr. A special room was built for it. And visitors still study its details—but now they tap interactive screens.

—Charles Lindsey







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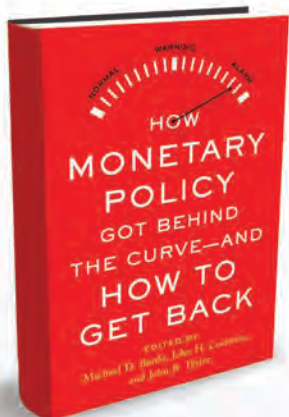
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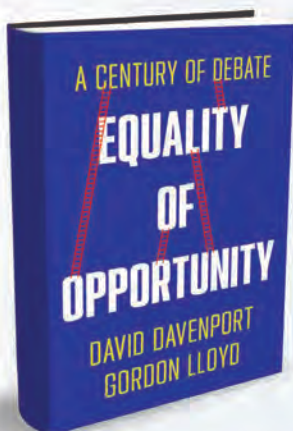
*Edited by Michael D. Bordo, John H. Cochrane, and John B. Taylor*

This timely summary of the 2022 Hoover monetary conference takes a close look at inflation, the impact of fiscal and other shocks, and ways to tame inflation and get economic policy back on track.

## Bread + Medicine: American Famine Relief in Soviet Russia, 1921–1923

*By Bertrand M. Patenaude and Joan Nabseth Stevenson*

The story of how medical intervention by the American Relief Administration saved millions of lives in Soviet Russia during the famine of 1921–23.



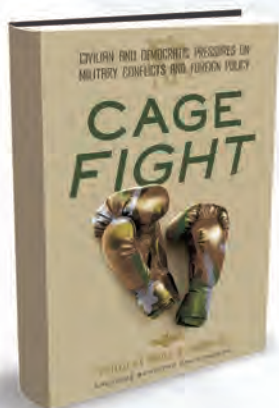
## Equality of Opportunity: A Century of Debate

*By David Davenport and Gordon Lloyd*

What is equality of opportunity, and how do we achieve it? What is government's role? The authors trace the debate from America's founding to today, as a stark ideological divide persists.



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## **Cage Fight: Civilian and Democratic Pressures on Military Conflicts and Foreign Policy**

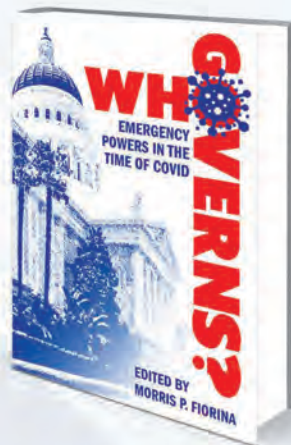
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Five essays present historical episodes that illustrate the tensions and conflicts of civilian–military relations—especially the role of dissent—during times of peace and war.

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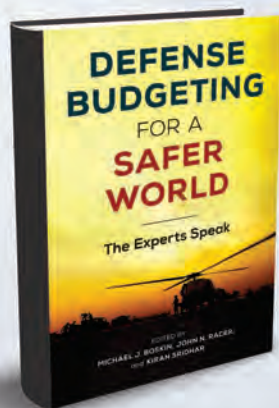


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*Edited by Michael J. Boskin, John N. Rader, and Kiran Sridhar*

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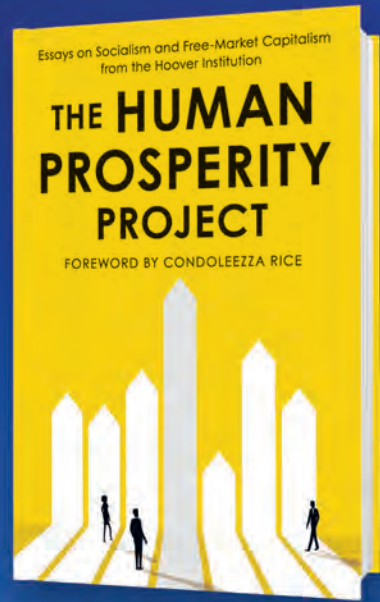


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