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Instituto  
Elcano

*de Estudios Internacionales y Estratégicos*



American Chamber  
of Commerce in Spain  
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Fundación  
*Consejo España-Estados Unidos*



Seminario bilateral: Tendencias en las políticas  
de EEUU para los próximos cuatro años

Bilateral Conference: Trends in US Policies  
for the Next Four Years

28 feb 2005

# INDICE

INTRODUCCIÓN .....	3
TOP TEN ISSUES IN US POLITICS IN 2005	
Soeren Kern .....	5
PROGRAMA .....	25
APERTURA DEL SEMINARIO	
José Pons Irazazábal .....	29
PRESENTACIÓN DE LA PRIMERA MESA REDONDA	
Jaime Malet .....	33
“A DAY OF RECKONING FOR THE U.S. ECONOMY?”	
Sidney Weintraub .....	37
“YEARS OF LIVING DANGEROUSLY: FROM THE TWIN DEFICITS TO THE BALANCE OF FINANCIAL TERROR?”	
Paul Isbell .....	45
“¿ES SOSTENIBLE LA TASA DE CRECIMIENTO ECONÓMICO EN EE.UU. A PESAR DEL DÉFICIT PRESUPUESTARIO Y POR CUENTA CORRIENTE?”	
Jaime Carvajal .....	69
“LIBERALISM, MORALS, AND THE SUPREME LAW OF THE LAND”	
Peter Berkowitz .....	75
“VALORES DE FAMILIA VS. LIBERALISMO”	
Joseph M. Colomer .....	83
“AMERICA AND THE CRISIS OF LEGITIMACY”	
Robert Kagan .....	93
“US LEADERSHIP IN SECOND BUSH TERM”	
Jeremy Shapiro .....	99
CLAUSURA DEL SEMINARIO	
Narcís Serra .....	109

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# Introducción

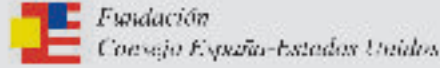
La presente publicación recoge las intervenciones de los diferentes participantes en el Seminario “Tendencias en las políticas de EEUU para los próximos cuatro años”, que se celebró en Madrid el 28 de febrero de 2005, patrocinado y organizado conjuntamente por la Fundación Consejo España-Estados Unidos, Fundación CIDOB, Cámara de Comercio Americana en España y Real Instituto Elcano de Estudios Internacionales y Estratégicos. Las ponencias se publican en el idioma original en el que fueron pronunciadas y van precedidas por el programa del seminario, así como por un texto preparado por Soeren Kern, Investigador Principal para Estados Unidos y Diálogo Transatlántico del Real Instituto Elcano, que define los diez grandes temas que deberá abordar la nueva administración norteamericana, tras la reelección para un segundo mandato del Presidente George W. Bush.

Madrid, junio de 2005

This publication collects the papers presented by the various participants in the Seminar on ‘Trends in US Policies for the Next Four Years’, held in Madrid on 28 February 2005. The event was sponsored and organised by the United States-Spain Council, the CIDOB Foundation, the US Chamber of Commerce in Spain and the Elcano Royal Institute for International and Strategic Studies. The papers are published in the languages in which they were originally presented. They are preceded by the seminar’s programme and by an introduction specially written for the occasion by Soeren Kern, Senior Analyst for the US and Transatlantic Dialogue at the Elcano Royal Institute, that defines the ten main issues to be addressed by the new US Administration following George W. Bush’s re-election.

Madrid, June 2005





# Trends in US Policies for the Next Four Years

## Top Ten Issues in US Politics in 2005

Prepared by Soeren Kern

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Principe de Vergara 51  
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# **The Top Ten Issues in US Politics in 2005**

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**Social Security Reform**

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**Tax Reform**

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**Tort Reform**

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**Bio-Ethics**

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**Judicial Nominations**

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**Marriage Protection Amendment**

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**War on Terrorism**

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**Exporting Democracy**

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**Trans-Atlantic Relations**

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**Middle East Peace Process**





## SOCIAL SECURITY REFORM

President George W Bush wants to revamp the 70-year-old Social Security retirement system in an effort to begin planning for an aging workforce that has been promised benefits. Social Security's financial sustainability is in question due to the long-term decline in the share of the US population of working age.

### BACKGROUND

#### The system is not sustainable

In their 2004 Annual Report to Congress, the Social Security Board of Trustees stated that absent changes, Social Security's currently scheduled benefits are not sustainable over the long term. This is because the ratio of workers to recipients has fallen from 16-1 to the current 3-1, and will fall to a future 2-1.

The system will begin paying out more benefits in 2018 than it collects in taxes. By 2042, the programme will not be able to pay full retirement benefits without a tax increase, raising the retirement age or other steps to shore up the system. Over an infinite time horizon, the Social Security system has an estimated \$10 trillion unfunded liability.

#### Partial privatisation

The centrepiece of Bush's proposal involves establishing individual accounts where people younger than 55 could invest up to two-thirds of their 12.4% Social Security payroll tax in stocks and

bonds. But the Congressional Budget Office estimates that the Bush plan would add some \$1.1 trillion to federal budget deficits from 2009, the year the plan would become effective, to 2015.

#### The Fed approves...

Speaking to the Senate Banking Committee on 16 February, Federal Reserve Chairman Alan Greenspan endorsed the Bush plan. He explained that he likes the concept of private accounts because they contain real assets, whereas a largely pay-as-you-go system does not.

Even though Social Security is taking in more cash than it spends, and the accumulated surplus is approaching \$2 trillion, much of the money is actually spent on other government programmes. Indeed, special government bonds are issued that function as IOUs between the Treasury and Social Security. In order to repay the bonds, the government will have to collect about \$5 trillion from taxpayers in addition to the payroll taxes they would otherwise pay between 2018 and 2042. That equals about an additional \$33,000 per family.

### POLITICAL CONTEXT

#### ...but with caution

But Greenspan also said that the accounts should be phased in gradually so that markets do not overreact and drive up interest rates in response to

## TORT REFORM

increased government borrowing that might be necessary.

### **Democrats are opposed**

Sensing a potent election issue, Democrats are almost unanimously opposed. They say Bush's private accounts will require borrowing some \$4.5 trillion over the first 20 years.

### **Public is sceptical**

An NBC News/Wall Street Journal poll released on 16 February showed 51% of those surveyed considered it a bad idea to let workers invest Social Security payroll taxes in the stock market; 40% favoured the idea. AARP, the nation's largest senior-citizens lobby, opposes Bush's approach.

### **Republicans are divided**

Even Republicans are divided. Bush must press for his plan before he is seen as a lame duck and Republicans feel pressure from the 2006 mid-term elections.

### **Making the economy more efficient**

President George W Bush on 18 February signed into law the Class Action Fairness Act of 2005, which seeks to limit frivolous lawsuits by shifting suits seeking class-action status to federal courts if the total amount of claims exceeds \$5 million. Bush says it will help restore "common sense and balance" to America's legal system. Indeed, Bush said the legislation was only a beginning in his drive to end "the lawsuit culture in our country." Next up, Bush said, should be curbs on medical malpractice awards. The US tort system at more than \$240 billion a year is the largest of any industrialised nation.

## BACKGROUND

### **Frivolous lawsuits undermine court system**

Under the legislation Bush signed, class-action suits seeking \$5 million or more would be heard in state court only if the primary defendant and more than onethird of the plaintiffs are from the same state. But if less than one-third of the plaintiffs are from the same state as the primary defendant, and more than \$5million is at stake, the case would go to federal court.

The premise of the legislation is that federal courts are more objective in their decisions than state courts and therefore offer less generous verdicts in consumer-type cases. Indeed, because

class action cases usually are heard in sympathetic state courts, defendants who are fearful of losing the case and facing potentially large damage awards are likely to settle out of court rather than risk a trial. This means that most class-action cases are usually settled before a court even hears the merits of the case.

#### Limits on lawyer fees

The new law also limits lawyers' fees in settlements where plaintiffs win product discounts instead of money. In class-action suits, attorneys work for a percentage of the award or settlement and do not get paid until the case is resolved.

#### POLITICAL CONTEXT

Proponents of the bill argue that the new system will free up the court system and lead to more consistent rulings.

Republicans, for example, argue that greedy lawyers have taken advantage of state legal systems by filing frivolous lawsuits in which they receive large payoffs while clients get only small sums or coupons giving them discounts for the products of the company they just sued.

#### Bipartisan support

Opponents, on the other hand, fear the legislation weakens consumers' rights to compensation, while protecting corporations from costly and damaging lawsuits. Democrats say the legislation is

aimed at protecting businessmen who donate to the Republican Party and hurting trial lawyers, a traditional part of the Democrats' base. Still, many Democrats in Congress support the legislation.

#### Some loopholes remain

Some fear the new law may flood an already crowded and overburdened federal court system by shifting the workload to the fewer than 800 federal judges from the thousands of state judges. Others worry there will be ways of getting around the new law. Some lawyers may, for example, break up their cases into smaller units to get under the federal lawsuit threshold of \$5 million for class-action suits.

#### More reforms ahead

But Senate Majority Leader Bill Frist now hopes to pass further legislation dealing with lawsuits concerning bankruptcy, gun manufacturers, asbestos, and, eventually, medical malpractice. Frist, who is also a doctor, says the threat of lawsuits causes physicians to defensively over-prescribe treatment to the tune of one hundred billion dollars a year.

## TAX REFORM

### System is inefficient

President George W Bush's bipartisan Advisory Panel on Tax Reform met for the first time on 16 February to look for ways to simplify the federal income tax system. More than 10,000 amendments have been made to the tax code since 1987. The result is a complex system in which more than half of all Americans now use a paid preparer to file their taxes. It costs individual taxpayers more than \$100 billion a year to get their returns calculated and filed. The nine-member commission has until 31 July to deliver recommendations to the White House.

### BACKGROUND

#### Revenue neutral reforms

Bush charged the commission with making the federal tax system simpler, fairer and more able to stimulate economic growth. At the same time, the recommendations must be "revenue neutral", meaning they should neither raise nor lower the total amount of money collected through taxes.

#### Many options...

At their first meeting, the commission heard from a diverse and distinguished group of tax specialists. Panel members will examine a broad range of options, including: Replacing the current income tax, completely or partially, with a national sales tax or some other levy on consumption; creating a value-added

tax, imposed at each stage of an item's production; widening the tax base; eliminating some popular deductions; or making all savings tax-exempt.

#### ...but few are viable

But the commission mostly is focusing on three options: Simplifying the existing system, moving toward a consumption tax or seeking a middle ground between the two.

#### Two-tier system is likely

While the current system taxes income, a consumption tax targets only the money that consumers and businesses spend. Income that is used for savings and investment would not be taxed. The most common consumption taxes are sales taxes and value-added taxes. But a consumption tax generally raises the burden on low- and middle-income families because they are forced to spend a higher percentage of their income. As a result, a two-tier system where income taxes and a national sales tax are both utilised might be possible.

### POLITICAL CONTEXT

#### Political fights ahead

Any tax-law changes as sweeping as those under review would effect every economic interest group in America, shift trillions of dollars within the economy and be the object of intense lobbying in Congress. Moreover, the income tax system has been used not

only to raise funds for federal functions, but also to pursue social and economic policies. Congress has tried to use the tax system to promote families, home ownership, education, work, thrift, health care, education and economic policies ranging from producing energy to encouraging domestic manufacturing.

Republicans in Congress are also weighing possible tax-law changes as complements to their goal of overhauling Social Security, but they have no firm plan yet and no timetable.

#### **Reforms far from certain**

Although there is near universal agreement that the tax system must be reformed, the outlook for tax overhaul is far from certain. Any attempt at major change could lead to a free-for-all in Congress as lawmakers and lobbyists try to protect cherished tax breaks.

## BIO-ETHICS

### **No softening of restrictions**

A bipartisan group of Senators and Representatives on 18 February introduced a bill to expand federal funding for stem cell research. The bill is aimed at loosening restrictions that President George W Bush placed on federal funding for stem cell research in 2001, which limited federal funding to research that uses stem cells that existed before his policy. Bush says he has no intention of softening restrictions on stem cell research.

### BACKGROUND

#### **Research is stalled**

Under current policy, only stem cells derived before 9 August 2001 are eligible for federally funded research. Bush had said there would ultimately be 78 strains available, but to date, only 22 strains have been derived for research use. Moreover, recent research shows that all 22 lines are contaminated with animal cells, making them dangerous to use in humans.

#### **Seeking other options**

The new bill would allow federally funded researchers to derive stem cells from embryos that are about to be thrown out by fertility clinics, if parents agree to offer them for research. It would not allow taxpayer money to be used to create embryos by cloning.

Human embryonic stem cells are created in the first days after conception and are the building blocks of the human body. Embryonic stem cells have the capacity to become almost any specialised cell in the body. Scientists are working to learn how to manipulate them to create transplants to treat diseases ranging from diabetes to cancer.

Stem cells also have the potential to repair vital organs. But no one has yet been treated by stem cells because of many basic technical hurdles, including how to overcome immune-rejection issues and to ensure that patients are not otherwise harmed by the treatments.

## POLITICAL CONTEXT

### Advocacy groups are opposed

During the past several years, stem cell research has been at the forefront of controversial medical debates. Many social conservatives who believe life begins at conception view the work as immoral because stem cells are removed when the embryo is 3-8 days old and consists of 150 to 300 cells. That destroys the embryos.

Indeed, anti-abortion advocacy groups equate embryonic stem cell research with murder. These groups instead advocate adult stem cell research, which come from organs and tissues such as the liver, brain, bone marrow

or skin. The Bush administration has spent more than \$190 million on research to find ways to grow adult stem cells in labs.

### House leadership is opposed

Although the new bill has the backing of some influential conservatives, the House leadership is opposed to the bill and may not bring it to the floor. Moreover, its sponsors face an uphill battle with Bush, who reaffirmed his opposition to human cloning and embryonic stem cell research during his State of the Union address on 2 February.

### More bio-ethics limits ahead

The White House now plans to lay out a broader bioethics agenda that calls for even stricter limits on so-called therapeutic cloning. This will please Bush's supporters, as well as most members of the President's Council on Bioethics.

## JUDICIAL NOMINATIONS

### Looming showdown

President George W Bush on 14 February resubmitted to the Senate a group of judicial nominations that ran into fierce Democratic opposition in his first term. By renominating 20 candidates to the federal bench who previously failed to obtain Senate confirmation, Bush has again set the stage for a showdown with Democrats over his judicial picks.

### BACKGROUND

#### Few problems with lower courts

The debate over judicial nominations has not attracted much mainstream attention because the Senate actually has confirmed 204 of Bush's judicial nominations over the past four years. Congress has, in fact, moved efficiently on Bush's nominations for the federal district courts, the lowest rung of the federal court system. In his first term, Bush made 179 district court nominations; Congress confirmed 170 of them.

#### Tensions with appellate courts

The main tension has come over Bush's appointments to the powerful Circuit Courts of Appeals. Bush nominated 52 appellate court judges in his first term; Congress approved only 35 of them. That has prompted Republicans to charge that Democrats are abusing the Senate's right to advise and consent on presidential appointees.

### POLITICAL CONTEXT

#### Democratic filibuster

The nominees failed to win confirmation because opposition Democrats, for various reasons, staged filibusters, thus blocking floor votes. With a Senate comprised of 55 Republicans, 44 Democrats and a Democrat-leaning independent, Democrats still have the 40 votes necessary to uphold a filibuster.

#### Pressure from constituencies

But conservative groups have been putting increasing pressure on Senate Republicans to force votes on Bush's judicial nominees. The battle over the makeup of the federal bench is a key issue for conservative evangelical Christians and others at the core of the president's political base who see judges as crucial to their efforts to outlaw abortion, allow for a broader religious presence in daily life and limit the influence of the federal government.

#### The nuclear option

As a result, Republicans in this go-around are considering what has been described as the "nuclear option", a change in Senate rules that would prohibit the filibuster of judicial nominees. The political fallout of such an action may be intense, however, which is why it is being termed the nuclear option. If successful, they would eliminate one of the only tools for forcing a majority party that controls both the White House and Congress to engage in



## MARRIAGE PROTECTION AMENDMENT

bipartisan consultation. A recent Wall Street Journal/NBC News poll found that Americans favour keeping the filibuster for judicial nominations by 48% to 39%.

### Supreme Court is main battle

But most analysts expect the real battle to begin when Bush prepares to nominate his first Supreme Court Justice. Indeed, the speculation surrounding 80-year-old Chief Justice William Rehnquist's health and possible retirement in June has hit a fever pitch in Washington. This is because Rehnquist, who has thyroid cancer, was absent when the Supreme Court resumed its term on 22 February. If Rehnquist, who has been chief justice since 1986, steps down, it would give the court its first opening since 1994. While such an announcement could come at any time, justices typically wait until the term ends in June to avoid an extended vacancy and the possibility of 4-4 votes on cases.

### Amendment has new name

Senate Republicans on 24 January reintroduced an amendment to the US Constitution that would ban same-sex "marriage". Although The Federal Marriage Amendment was defeated last year, it has been reintroduced under a new name, the Marriage Protection Amendment. In his State of the Union address on 2 February, President George W Bush said he would support the constitutional amendment to "protect the institution of marriage." But Bush has also acknowledged that the amendment probably does not have sufficient support for congressional approval.

## BACKGROUND

### Growing support

Supporters believe the amendment has a better chance of passing this session following a slew of victories on 2 November, when voters in 11 states passed marriage amendments to their respective state constitutions. In addition to those 11 states, another 17 states have passed constitutional amendments banning alternative forms of marriage, and 20 other states are considering similar amendments.

Amendment backers say a marriage amendment to the US Constitution is the only permanent remedy to protect and defend traditional marriage. The federal Defence of Marriage Act (signed by

President Bill Clinton in 1996), which gives states the option of not recognising another state's same-sex marriages, is being challenged in federal courts in California, Florida and Oklahoma. Lawsuits seeking to legalise same-sex marriage also are pending in nine states.≤

## POLITICAL CONTEXT

### Electoral gains

Marriage amendment supporters made gains during the 2004 election, as reflected by the list of 22 co-sponsors. Four new co-sponsors replaced senators who opposed the marriage amendment. They believe that only a constitutional amendment will prevent federal judges from redefining marriage.

In 2004, Massachusetts became the only state to legalise same-sex marriage. It was court-mandated. Traditionalists fear that homosexual couples eventually will win a legal battle in a federal court to have the licenses from Massachusetts recognised elsewhere. Such a legal strategy could become easier if another state, such as New Jersey or Washington, legalises same-sex marriage in the near future. Washington state's highest court is scheduled to hear a same-sex marriage case in March 2005.

Supporters of the amendment say that the marriage amendments passed by 11 states on Election Day provide only

limited protection. While they protect against rulings by state courts, they are vulnerable in federal court. For example, Nebraska's amendment is being challenged in federal court.

### Uphill climb

Despite the momentum gained by the passage of same sex marriage bans in 11 states, amending the federal Constitution is uphill climb. Both houses must approve the resolution by a two-thirds majority before it is sent to the states. Then the proposed amendment must be ratified by three fourths of the state legislatures. The president's signature is not required for the amendment to become law. Typically, Congress places a seven-year limit for the amendment to

## WAR ON TERRORISM

### National security is top priority

President George W Bush has signalled that the war on terrorism will remain a top White House priority in 2005 and beyond. On 7 February he proposed a budget for the 2006 fiscal year that would cut scores of domestic programmes while providing more money for national security.

### BACKGROUND

#### More funds for military

The budget proposals preserve priority spending for the war on terror by increasing funds for new weapons programmes, foreign aid and security to protect the US homeland against terrorist attacks. Under the proposal, the Pentagon's budget would increase 4.75% next year, to \$419 billion from \$400 billion, and spending on domestic security would rise 3.2%, to \$32.2 billion from \$31.2 billion. Both the military and domestic security programmes would also get steady increases through the rest of the decade.

The 2006 budget adds \$1.7 billion to fund a wide variety of unmanned vehicles for use in the war against terror. Indeed, the Pentagon continues to make major investments in the development and procurement of unmanned ground vehicles, unmanned underwater vehicles, unmanned aerial vehicles and unmanned combat vehicles. It also funds the continued

development of a re-configurable warship that can be effective in multiple missions, and the realignment of army units to make them more flexible and more easily deployable.

#### Intelligence overhaul

In another signal that the war on terror will be a top priority of his second term, Bush has pledged to revamp the nation's intelligence agencies, which he calls "our first line of defence against terrorism and weapons of mass destruction." In this context, Bush on 17 February named John Negroponte as the government's first Director of National Intelligence (DNI).

#### New intelligence director

The post of DNI was created to prevent a repeat of the intelligence failures that preceded 9/11. As DNI, Negroponte will be the principal advisor to the president on intelligence matters. His mission is to coordinate 15 highly competitive spy agencies in what will be the broadest restructuring of the nation's intelligence services since the US espionage laws were written in 1947.

### POLITICAL CONTEXT

#### Trans-Atlantic cooperation?

A by-product of the war on terrorism is intensified trans-Atlantic cooperation. During a security conference in

## EXPORTING DEMOCRACY

Germany, Defence Secretary Donald Rumsfeld called for all nations to work together in fighting terror. Rumsfeld said: "Today, we share a common enemy. Radical Islamists do not seek an armistice with the civilised world. They will not negotiate a separate acc." He also said: "It will take the cooperation of many nations to stop the proliferation of dangerous weapons. Proliferation is a global concern, and it requires a global effort."

### Saudi cooperation

But countries in the Middle East also recognise the need for cooperation on the war against terror. Saudi Arabia in February sponsored an international antiterrorism conference, a first for the Arab Peninsula. Saudis reached across borders and bureaucracies to underscore domestic efforts in pursuing terrorist networks and to refocus the nation's role in global discussions on combating terrorism. For the first time since Al Qaeda surfaced, the Saudis publicly sought to trade and share technical information about counterterrorism operations with professional delegations from more than 50 nations.

### New national priority

President George W Bush has opened his second term with a sustained rhetorical effort to use the language of "freedom" as a way of reuniting the west under American leadership. In his inaugural address on 20 January, Bush outlined an epic new vision for US foreign policy, "with the ultimate goal of ending tyranny in our world."

### Links to domestic stability

In his speech, Bush declared that spreading democracy was "the calling of our time." He also linked the export of democracy to domestic stability, calling it "the urgent requirement of our nation's security." Only liberty "would break the reign of hatred and resentment" that led to 9/11. From now on, Bush said, relations with "every ruler and every nation" will be predicated on how they treat their own people.

## BACKGROUND

### War on terrorism

By saying that the spread of freedom and democracy would be at the heart of America's political strategy in the war on terror, Bush was calling for a profound break from traditional US policy of *realpolitik*, the diplomatic philosophy that puts national interests above idealism in foreign policy. But it is not clear how Bush's words might translate into concrete policy.

### Idealism vs realism

For a variety of reasons, the US often has embraced countries that are not democratic. Indeed, the war on terrorism has spawned curious alliances, such as the one between the US and Pakistan, whose president took office in a coup. And the fight against terrorism has overshadowed any US desire to promote democracy in Russia.

### A gradualist approach

Therefore, any shift in diplomacy in accord with the president's words would have far-reaching effects. But how will Bush apply his sweeping pledges to policy? Bush said that expanding liberty would not be primarily the task of arms, although he pledged to use them to defend the US or its friends. But Bush also says that he recognises that such an approach to foreign policy is a "generational" obligation that requires patience and long-term commitment.

### Idealist goals, realist objectives

By saying that "the survival of liberty in our own land increasingly depends on the success of liberty in other lands", Bush linked the neo-conservative goal of spreading democracy to the realist objective of enhancing national security. When Bush said that "America's vital interests and our deepest beliefs are now one", the president in effect said that the policy of the hawks would lead to the goal of the realists.

### Trans-Atlantic cooperation?

But Bush has also signalled that he intends to use the promotion of democracy as a way to reunite the US and Europe under American leadership. On the eve of his 21-24 February visit to Europe, his weekly radio talk declared: "America and Europe are the pillars of the Free World. Leaders on both sides of the Atlantic understand that the hopes for peace in the world depend on the continued unity of free nations."

## POLITICAL CONTEXT

### Ideological harmony

Behind the president's sweeping idealism lie economic and military constraints that may compel more realism. Indeed, Bush is trying to bring ideological harmony to his second term by establishing a balance of power between idealists and realists in his administration.

## TRANS-ATLANTIC RELATIONS

### Improved ties?

President George W Bush has signalled that he wants an improvement in trans-Atlantic relations during his second term. His 21-24 February visit to Europe was an attempt to move beyond past differences and find ways to work in unity. But there will be little substantive agreement on major policy differences between the Americans and the Europeans.

### BACKGROUND

#### Focus on shared values

In a 21 February speech in Brussels, Bush called on European allies to join the US in focusing on their "shared values" to work together to spread freedom around the world, a theme Bush sounded both in his inaugural address and his State of the Union message, and one that lies at the core of his second-term foreign policy. "As past debates fade, and great duties become clear, let us begin a new era of trans-Atlantic unity", Bush said. But even as the president reaches out to allies that he angered during his first term, any changes in US foreign policy are likely to be more of style than substance.

### POLITICAL CONTEXT

#### Many disputes remain

There are trans-Atlantic disagreements on a wide range of issues: China, Iran,

Syria, Hezbollah, the Middle East peace process, global warming, aircraft subsidies and multilateral institutions, among others.

For example, a simmering dispute with Europe came to the forefront on 23 February when Bush said there was "deep concern" in the US that lifting the European Union's 15-year-long arms embargo against China would change the balance of relations between China and Taiwan. The EU has tried to quell American fears by saying it will limit the transfer of advanced technology to the Chinese by developing a tough new "code of conduct" for arms exports. But Bush expressed scepticism about the ability of the Europeans to come up with a proposal that would satisfy the US.

#### China may become new flashpoint

There is also rising concern from both Republicans and Democrats in the US Congress about Europe's plans to lift the embargo. Senator Richard Lugar, who is chairman of the Senate Foreign Relations Committee, said that he would support restrictions on American sales of advanced military technology to Europe unless there were strong assurances from Europe that such technology would not be diverted to China when the embargo was lifted. Moreover, on 2 February, the US House of Representatives passed a resolution by a 411-3 vote that condemned the EU's plans.

## MIDDLE EAST PEACE PROCESS

### Iran is divisive

In another contentious issue, the US says it has no intention of directly joining ongoing talks aimed at restraining Iran's alleged nuclear weapons programme, even though many European officials have expressed concern that the talks involving Britain, France and Germany will fail without US involvement.

### Reshaping NATO?

At the heart of the trans-Atlantic rivalry is a desire by some European countries for more say in security matters. Specifically, some countries would like to see the EU to replace NATO as the main institutional link between the US and Europe. But the US remains committed to preserving NATO as its primary connection to the continent. Indeed, Europeans will be disappointed if they expect the US to embrace their desire for co-equal leadership. As a result, it is likely that trans-Atlantic frictions will remain despite the changed tone of American diplomacy.

### Bush backs statehood

President George W Bush on 11 January congratulated Mahmoud Abbas on his election as Palestinian president and pledged US support for an international conference to help develop Palestinian institutions for eventual statehood. On 6 February, Secretary of State Condoleezza Rice proclaimed that "a time of optimism" had arrived in the Middle East. Nevertheless, the actual creation of a Palestinian state is many years away.

## BACKGROUND

### But elections are only the first step

Abbas's opposition to the use of violence during more than four years of Palestinian uprising against Israeli occupation, and his pledge to reform Palestinian institutions, have earned him international respect. But his election is only a small step on a long road to reviving the peace process. Indeed, although the peace plan known as the "road map" puts demands on both sides to reach the goal of a Palestinian state and security for Israel, the Bush administration has placed conditions on Palestinians before the road map can be launched. This implies that the creation of a Palestinian state will not happen anytime soon, which may also frustrate some Europeans.

## POLITICAL CONTEXT

**Must peace wait for democracy?**

Bush in June 2002 propounded the idea that peace between Israelis and Palestinians must await the establishment of Palestinian democracy. This new foundation for Palestinian statehood is based on the idea that the most lasting peace will very likely be a peace between democracies. Critics say that the insistence that Palestinian democracy must precede Palestinian statehood is just a method of impeding progress toward a compromise that would require Israeli concessions.

**US will not mediate**

But it is axiomatic that the Israeli-Palestinian conflict will not be solved without significant involvement by the US. Still, the White House has indicated that it will not act as a mediator between Abbas and Israeli Prime Minister Ariel Sharon. Bush said he looks forward to welcoming Abbas to the White House, there are no plans for a three-party meeting with Sharon.





# Tendencias en las políticas de EE.UU. para los próximos cuatro años

28 de febrero de 2005, Casa de América (Madrid)

## PROGRAMA

### Sesión de Apertura

- 09:30 **María Asunción Ansorena**, Directora de la Casa de América  
09:40 **Antonio Garrigues Walker**, Presidente de la Fundación Consejo España-EE.UU.  
09:50 **J. Robert Manzanares**, Encargado de Negocios, Embajada de EE.UU. en España  
09:55 **José María Pons**, Director General de Política Exterior para Europa y América del Norte, Ministerio de Asuntos Exteriores y de Cooperación.

**10:00 – 12:00 Primera mesa redonda: Las perspectivas para la economía estadounidense en el segundo mandato del Presidente Bush - Moderada por Jaime Malet, Presidente de la Cámara de Comercio Americana en España.**

*¿Es sostenible la tasa de crecimiento económico en EE.UU. a pesar del déficit presupuestario y por cuenta corriente?*

- 10:00 “¿Llegó la hora de la verdad para la economía estadounidense?”, **Dr. Sidney Weintraub**, Profesor William E. Simon en Economía Política, Center for Strategic and International Studies, Washington, D.C.  
10:20 "El año en que vivimos peligrosamente: La economía de EE.UU., desequilibrios globales y la balanza del terror financiero", **Paul Isbell**, Profesor Adjunto de Economía Política de la Universidad Syracuse y del Instituto de Empresa en Madrid, e Investigador Principal, Área de Economía Internacional, Real Instituto Elcano.  
10:40 “¿Es sostenible la tasa de crecimiento económico en EE.UU. a pesar del déficit presupuestario y por cuenta corriente?”, **Jaime Carvajal**, Presidente de Advent International 11:00 Coloquio. 11:30 Café

**12:10-14:00 Segunda mesa redonda: El debate político interno en EE.UU. sobre los valores - Moderada por Emilio Lamo de Espinosa, Director del Real Instituto Elcano.**

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*¿Cómo evolucionarán los debates sobre valores –el aborto, el matrimonio entre homosexuales, la investigación con células madre, el control sobre las armas de fuego– durante el segundo mandato del Presidente Bush?*

- 12:10 “Las paradojas políticas de George W. Bush”, **Dr. Peter Berkowitz**, Research Fellow de la Hoover Institution y Associate Professor de Derecho de la George Mason University Law School
- 12:30 “Valores en evolución y nuevas fisuras políticas en los EE.UU.”, **Dr. Ronald Inglehart**, Profesor de Ciencias Políticas, Director de Programas, Center for Political Studies, Institute for Social Research, Universidad de Michigan.
- 12:50 “Valores familiares vs. Liberalismo”, **Dr. Josep M. Colomer**, Profesor de Investigación en Ciencia Política, Consejo Superior de Investigaciones Científicas (CSIC), Barcelona.
- 13:10 Coloquio.
- 14:00 Almuerzo libre.

**16:00 – 17:30 Tercera mesa redonda – Los retos a los que se enfrentan las políticas exterior y de seguridad en el segundo mandato del Presidente Bush - Moderada por Eduardo Serra Rexach, Presidente del Real Instituto Elcano.**

*¿Hasta qué punto puede EE.UU. colaborar con instituciones internacionales y con sus socios y aliados para promover sus objetivos de política exterior? ¿Cuál es la mejor forma de combatir el terrorismo, las armas de destrucción masiva, y extender la libertad y la democracia en el mundo?*

- 16:00 “América y la crisis de la legitimidad”, **Robert Kagan**, Senior Associate, Carnegie Endowment for International Peace, Washington, D.C. Autor de “Sobre el paraíso y el poder: América y Europa en el nuevo orden internacional”.
- 16:20 “El liderazgo de los Estados Unidos en el segundo mandato de Bush”, **Jeremy Shapiro**, Director de Investigación, Center on the United States and Europe, y Fellow, Foreign Policy Studies, The Brookings Institution, Washington, D.C.
- 16:40 Coloquio.

#### Clausura

- 17 :30 **Dr. Barry Lowenkron**, Deputy Director of Policy Planning, del Departamento de Estado de los EE.UU.
- 17:45 **Narcís Serra**, Presidente de la Fundación CIDOB.
- 18:00 Fin del seminario.

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# Trends in US Policies for the next four years

February 28th, 2005 Casa de América (Madrid)

## CONFERENCE PROGRAM

### Opening session

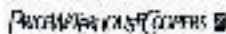
- 09:30 Welcoming remarks by **Ms. María Asunción Ansorena**, Director of the Casa América
- 09:40 Remarks by **Mr. Antonio Garrigues Walker**, Chairman of the United States-Spain Council
- 09:50 Remarks by **Mr. J. Robert Manzanares**, Chargé d'Affaires a.i., U.S. Embassy
- 09:55 Remarks by **Mr. José Pons Irazazábal**, Director General of Foreign Policy for Europe and North America, Spanish Foreign Affairs Ministry

**First panel – An outlook of the US economy in President Bush's Second Term–** Chaired by **Mr. Jaime Malet**, Chairman of the American Chamber of Commerce in Spain.

*Is the current rate of economic growth in the US sustainable in spite of the existing large budget and current-account deficits?*

- 10:00 “A day of reckoning for the US economy?”, by **Dr. Sidney Weintraub**, William E. Simon Chair in Political Economy, Center for Strategic and International Studies, Washington, D.C.
- 10:20 "Years Of Living Dangerously: The US Economy, Global Imbalances and the Balance of Financial Terror", by **Mr. Paul Isbell**, Adjunct Professor of Political Economy at Syracuse University and the Instituto de Empresa in Madrid. Senior Analyst, International Economy, Elcano Royal Institute of International and Strategic Studies, Madrid.
- 10:40 “Is the current rate of economic growth in the US sustainable in spite of the existing large budget and current-account deficits?”, by **Mr. Jaime Carvajal**, President of Advent International
- 11:00 Panel discussion
- 11:30 Coffee Break

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**Second panel: The Internal Political Debate in the US Regarding Values Issues – Chaired by **Mr. Emilio Lamo de Espinosa**, Director of the Elcano Royal Institute of International and Strategic Studies.**

*How will the debates on values issues – abortion, gay marriage, stem-cell research, gun control – evolve in President Bush's second term?*

- 12:10 “The Political Paradoxes of George W. Bush”, by **Dr. Peter Berkowitz**. Research Fellow at the Hoover Institution and Associate Professor of Law at George Mason University Law School
- 12:30 “Changing values and new political cleavages in the US”, by **Dr. Ronald Inglehart**. Professor of Political Science. Program Director, Center for Political Studies, Institute for Social Research, University of Michigan
- 12:50 “Family values vs. Liberalism”, by **Dr. Josep M. Colomer**, Research Professor in Political Science, Higher Council of Scientific Research (CSIC), Barcelona
- 13:10 Panel discussion

**Third panel – The Challenges for the United States' Foreign and Security Policy in President Bush's Second Term – Chaired by **Mr. Eduardo Serra Rexach**, Chairman of the Elcano Royal Institute of International and Strategic Studies.**

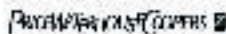
*To what degree can the US work with international institutions and its partners and allies to advance its foreign-policy objectives? What is the best way to combat terrorism, WMD and extend freedom and democracy around the world?*

- 16:00 “America and the Crisis of Legitimacy”, by **Mr. Robert Kagan**. Senior Associate at the Carnegie Endowment for International Peace, Washington, D.C. Author of: “Of Paradise and Power: America and Europe in the New World Order”
- 16:20 "U.S. Leadership in the Second Bush Term", by **Mr. Jeremy Shapiro**. Director of Research, Center on the United States and Europe. Fellow, Foreign Policy Studies. The Brookings Institution, Washington, D.C.
- 16:40 Panel discussion

**Closing remarks**

- 17:30 Remarks by **Dr. Barry Lowenkron**, Deputy Director of Policy Planning at the US State Department
- 17:45 Remarks by **Mr. Narcís Serra**. President of the CIDOB Foundation
- 18:00 End of the conference

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# JOSÉ PONS IRAZAZÁBAL

## Apertura del Seminario

Quiero agradecer en primer lugar al Real Instituto Elcano, a la Fundación CIDOB, a la Fundación Consejo España-Estados Unidos y a la Cámara Americana de Comercio en España su oportuna iniciativa de organizar esta conferencia. Precisamente la semana pasada tuvo lugar una visita a Europa del Presidente Bush llena de simbolismo que debería marcar una nueva etapa en las relaciones entre ambos lados del Atlántico y que nos permite vislumbrar algo de lo que pueden ser nuevas tendencias de la política de Estados Unidos.

Quisiera en este contexto hacer unas reflexiones muy breves:

- En primer lugar, el gobierno español celebra este reencuentro entre europeos y norteamericanos. Es evidente que todavía hay, y seguirá habiendo, puntos importantes de discrepancia entre ambos. Pero lo que verdaderamente importa a nuestros ciudadanos no son esas diferencias sino lo que Europa y América pueden hacer juntas para resolver los problemas de alcance global.

Siempre ha habido discrepancias entre los aliados a ambos lados del Atlántico. Algunas muy importantes, cuyos nombres están en la mente de todos. Pero las divisiones siempre se superaban desde la confianza y la voluntad de trabajar juntos. Sólo en los últimos años algunas discrepancias se han convertido en elemento de división como si hubiese que elegir entre europeísmo y atlantismo.

Se trata de un falso dilema que solo conduce al empequeñecimiento de algunos en detrimento de la solidez del vínculo atlántico. De ahí, que resulte muy alentadora la visita del Presidente Bush, en el mismo día, a la sede de la OTAN y de la Unión Europea. Se trata de una tendencia que quisiéramos ver consolidada a lo largo de estos años por el bien de los valores de los intereses que compartimos.

Para el gobierno español, es perfectamente compatible trabajar para conseguir que la Unión Europea sea cada día más fuerte y más decisiva en la escena internacional y hacerlo también para que la Alianza y el vínculo transatlántico sean cada día más sólidos y eficaces. Nadie tiene el monopolio de la verdad y de la razón pero todos tenemos el mismo afán: luchar contra el terrorismo, promover la libertad, solucionar los conflictos regionales, luchar contra el hambre y la pobreza y garantizar un futuro de paz a nuestros hijos.

- En segundo lugar, en 2005 se cumple el 10º aniversario de la firma en Madrid de la Nueva Agenda Transatlántica. Creo que debemos aprovechar esta circunstancia para dar nuevo impulso a la relación entre Europa y EEUU poniendo al día el documento de Madrid. España está dispuesta a colaborar en este objetivo y así se lo ha hecho saber al Reino Unido que tendrá la presidencia de la Unión Europea. El propio Presidente Bush ha reconocido la creciente importancia de la Unión Europea como interlocutor de EEUU. Y es evidente que hay ahora nuevos campos

de cooperación que no existían hace diez años y en los que la Unión Europea y Estados Unidos, desde su diferente identidad y realidad política, tienen una gran responsabilidad.

- En tercer lugar, España es un firme aliado y un socio estratégico importante de Estados Unidos. Nuestro país aporta su colaboración al esfuerzo de seguridad común en el marco del acuerdo bilateral defensivo, facilitando el despliegue de fuerzas norteamericanas mediante la utilización de las Bases españolas de Rota y Morón y las Instalaciones de Apoyo establecidas en dichas bases. Además, España contribuye de forma importante con sus fuerzas a misiones de paz dirigidas por la OTAN y la UE en los Balcanes y Afganistán y bajo los auspicios de las Naciones Unidas en Haití. Recientemente, el Gobierno ha manifestado su disposición a asumir nuevas responsabilidades en Afganistán en el marco de la Fase II de ISAF.

- Incluso en relación con Irak, en donde las discrepancias entre los dos Gobiernos han sido más marcadas, España está dispuesta a asumir responsabilidades de acuerdo con la Resolución 1546 del Consejo de Seguridad y también en el marco de las operaciones de formación de la OTAN y de la UE para el establecimiento de instituciones eficaces en ese país, aportando además una importante contribución económica. Todos compartimos el mismo interés: un Irak estable, con instituciones democráticas y con desarrollo económico.

- España, por sus especiales lazos históricos y su presencia cultural y económica en Iberoamérica puede ser un interlocutor privilegiado de Estados Unidos en relación con el continente iberoamericano. A ello se une la creciente importancia demográfica, económica y política de la comunidad de origen hispano en Estados Unidos, que debe constituir un nexo natural de unión y entendimiento entre España y EEUU. Por otra parte, los vínculos históricos y culturales entre España y los países de la cuenca mediterránea son también un elemento que enriquece el diálogo entre españoles y norteamericanos. Me gustaría señalar que tanto la iniciativa del Presidente del Gobierno español sobre una "Alianza de Civilizaciones" como el relanzamiento del Proceso de Barcelona en el 10º aniversario de su fundación con una Cumbre de Jefes de Estado y de Gobierno son elementos concretos de especial relevancia, perfectamente compatibles con las líneas trazadas por el Presidente Bush en su discurso de investidura, tanto en lo que se refiere a la promoción de la libertad como a las iniciativas para Oriente Medio.

- Hay que destacar también la importancia de nuestra relación industrial, económica y tecnológica. Estados Unidos es nuestro sexto socio comercial y el más importante inversor extranjero individual en nuestro país. A título de ejemplo recordaré que la inversión directa norteamericana en España supuso el 50% del total en 2002 y que las empresas estadounidenses efectuaron cerca del 10% del gasto total del sector

privado español en I+D como promedio entre 1989 y 2002.

Por tanto, cuando miro hacia el futuro sólo veo motivos para el optimismo y para una colaboración mutuamente beneficiosa.

- Finalmente, existe la realidad de una creciente relación entre las sociedades civiles de nuestros dos países, de la que es buena muestra esta misma conferencia.

Estoy convencido de que a lo largo del día, durante los debates, aflorarán hipótesis sobre la evolución de la política norteamericana en este segundo mandato del Presidente Bush. Unas se verán confirmadas, otras quizás no. En la política siempre hay algo de impredecible y de imprevisible.

Sin embargo, una cosa puedo garantizarles. El gobierno español desea que esta política de Estados Unidos tenga éxito y que los aliados y la Unión Europea trabajen codo con codo para hacer un mundo más seguro, más justo y más desarrollado. Desde luego, España será un socio activo y un aliado leal en este desarrollo.





JAIME MALET

## Presentación de la primera mesa redonda

Buenos días a todos. Good morning every one. Welcome to Madrid for those who come from the US. Even with the cold this can be a warm city, and hope you are going to enjoy your stay with us, in this wonderful country.

Me es extraordinariamente grato ser la persona encargada de abrir este panel económico, presentar a los ponentes y moderar el debate que se producirá a continuación.

Hay una máxima que dice que, con excepción hecha de los meteorólogos, no hay nadie capaz de predecir el futuro con mayor riesgo a equivocarse que los economistas. Y me parece que fue Ronald Reagan quién dijo que con 100 asesores en política económica, estaba seguro que uno tenía razón....su eterno problema era saber cual.

Ello no obstante, its good to try. Y espero que nuestros ilustres ponentes nos intenten señalar, no solo cuales son las intenciones de la Administración Bush para los cuatro próximos años, sino también intenten darnos algo de luz sobre cuales pueden ser los resultados de esas intenciones en la economía norteamericana y mundial.

Como moderador me gustaría enmarcar la charla de nuestros ponentes, en un brevísimo apunte sobre el escenario actual de la economía norteamericana. Me gustaría hacer una primera afirmación, ...por si alguien se olvida de hacerla, y señalar que la economía norteamericana va bien, muy especialmente si se mira desde los parámetros europeos. La economía norteamericana

habrá crecido un 4,3% del PIB (frente al 1,8% de la zona euro) en el 2004. La previsión para el 2005 es más moderada, en parte por el efecto aplazado del mayor coste del petróleo. Aún así vamos a estar en un año un 3,3% (frente al 1,9%, con muchas reservas, de la zona euro).

El consumo sigue tirando con fuerza, y pese a la gradual subida de los tipos de interés (se espera que suba hasta el 4% en el 2006), no se prevé otra cosa para el año 2005. El consumo interno norteamericano es para mí algo extraordinario. Leía el otro día un artículo en el que se promovía un reconocimiento: alguien tendría que levantar un monumento, un gran monumento, al consumidor norteamericano, verdadero campeón de la economía mundial, que sigue consumiendo contra viento y marea, endeudándose lo que haga falta, y pensando en un futuro siempre mejor.

Por otro lado, la inversión en bienes de equipo va a seguir siendo fuerte en los años venideros, las empresas están muy saneadas, y la construcción apunta también al alza. Por último, la bolsa seguirá recuperándose. E incluso el mercado laboral va a tender hacia una mejoría.

Por supuesto que el principal riesgo, y también el título de este panel, es el doble déficit, presupuestario y comercial. En cuanto al déficit presupuestario, aquí debemos recordar que la salida de la crisis en el 2002 se apoyó en gran medida de un impulso fiscal superior a 4 puntos sobre el PIB, con sucesivas reducciones de impuestos y un

aumento del gasto público sin precedentes (especialmente en el capítulo de defensa), con una reducción histórica a un 1% del tipo de intervención de la FED. Hay que recordar que todo esto es lo que ha llevado a una situación donde el crecimiento es robusto, pero puede hipotecar la economía a medio-largo plazo, especialmente porque puede obligar a un aumento importante de los tipos de interés al final de la legislatura. ¿Qué puede hacer la administración Bush para reducir este déficit? Sobre todo teniendo en cuenta que ya ha dicho que no va a bajar impuestos, teniendo en cuenta que no puede reducir el gasto militar, - con el trabajo que tiene en Irak y la lucha contra el terrorismo en otras partes del mundo, - y encima con el compromiso de reformar el sistema de pensiones en esta legislatura, lo que puede tener un gran coste de transición.

Por otra parte, todo apunta que el déficit por cuenta corriente va a seguir impulsando la depreciación del dólar. Un dólar bajo está permitiendo mejorar las exportaciones de bienes y productos norteamericanos, pero la demanda interna sigue siendo demasiado fuerte (impulsando las importaciones), como para esperar una mejora significativa de la balanza de pagos. Un déficit exterior de esta magnitud solo puede arreglarse mediante una todavía mucho mayor depreciación del dólar (algunos analistas especulan que puede ser caer hasta la franja del 1,40 Euros) o, de nuevo, con un importante aumento de los tipos de interés que frene el crecimiento norteamericano.

Y relacionado con ambos déficits también preocupa, con estos riesgos en ciernes, hacia adonde se va a dirigir el ahorro mundial. Debemos pensar que el 40% de los bonos del Tesoro norteamericanos están hoy en manos extranjeras, frente al 4% hace 30 años. Y es aquí donde deberíamos también hacer otro reconocimiento, y levantar otra estatua al ahorrador asiático. Esta estatua debería ser mucho más modesta que la del consumidor americano, al final y al cabo, el ahorro de los asiáticos, especialmente de los chinos, sirve para financiar el exceso de gasto del consumidor estadounidense. Pero en esta situación, la pregunta aquí es hasta cuando el dólar va a seguir siendo objeto de deseo. Hace pocos días, por poner un ejemplo, el Banco Central de Corea del Sur ha sugerido diversificar sus reservas, aumentando su posición en euros y reduciendo su posición en Dólares. ¿Hay alguna probabilidad de que se derrumbe el sistema, como ocurrió en 1967 con la caída de la libra esterlina y todo el sistema Bretton Woods?

También les quiero decir que todas estas preocupaciones son muy europeas. Muchos norteamericanos saben que la fuerza del sistema consiste en su optimismo, y en un aumento del valor de sus activos, mobiliarios e inmobiliarios. Y en eso, en esa sociedad de propietarios (como dice Bush), de optimistas propietarios, que consumen pensando siempre en un futuro mejor, los EEUU van bien. Además en Washington lo que de veras preocupa, es quién va a sustituir Mr. Alan Greenspan, el verdadero oráculo de Delfos de nuestro tiempo. Mientras

el déficit esté controlado, se dice en Washington, nada traumático ocurrirá.

Para hablar de todo ello, y otras muchas cuestiones, tenemos hoy con nosotros tres sólidos ponentes.



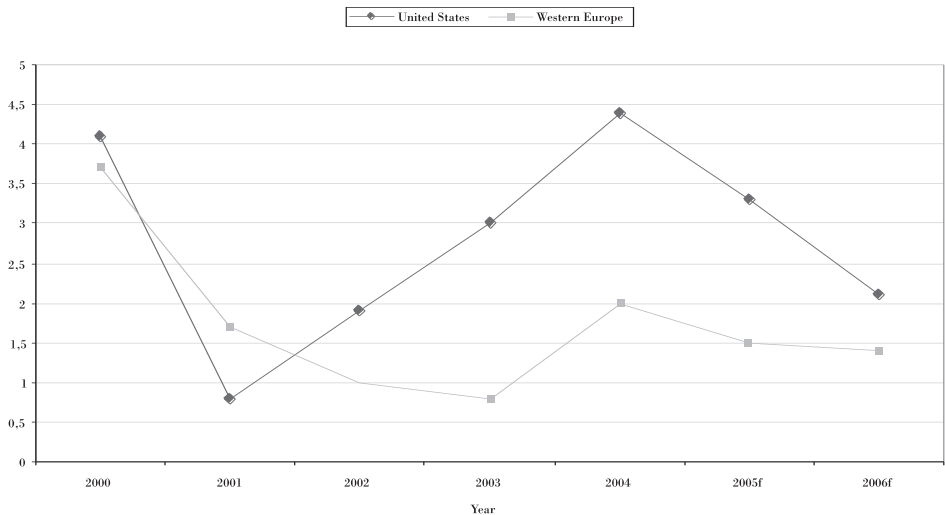
## SIDNEY WEINTRAUB

### “A Day of Reckoning for the U.S. Economy?”

The performance of U.S. gross domestic product was reasonably satisfactory in President George W. Bush’s first term, certainly as compared with Western Europe (see figure 1). There was a slowdown in GDP growth in 2000, the first year of President Bush’s first term, but the economy picked up again in 2002. U.S. GDP growth was 4.4 percent in 2004 and

is estimated by the International Monetary Fund to be about 3.5 percent this year (2005). Growth this year in Western Europe is not expected to exceed 1.5 percent. Based on estimates from the nonpartisan Congressional Budget Office, the U.S. GDP, in current dollars, should be about \$13 trillion in 2006.

Figure 1: United States Annual GDP Growth Compared to Western Europe



A large part of the explanation for the relatively high GDP growth in the United States has the substantial fiscal stimulus during practically all of President Bush’s first term. The extent of the U.S. fiscal deficit can be seen in figure 2. That figure also shows the steep increase in the fiscal

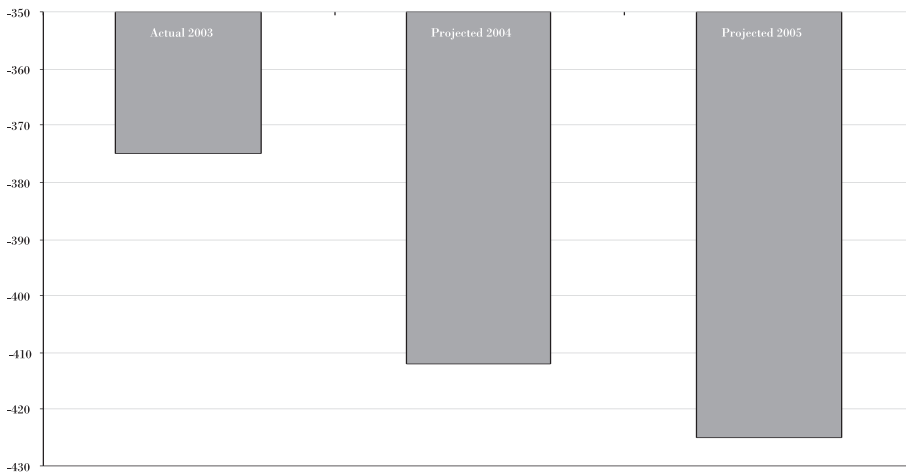
deficit from 2003 to that estimated for 2005. Under President Clinton, the United States budget moved from deficit to surplus and the turnaround into a large deficit once again under the Bush administration was rapid. One has the sense that the Bush administration has given little heed to these

fiscal deficits. Vice President Dick Cheney is reported to have commented as the 2004 elections were approaching that fiscal deficits do not matter politically. The 2004 electoral result presumably confirms this judgment.

The main contributors to the repeated and growing deficits have been:

1. The massive tax cuts at the outset of the Bush administration skewed to the rich in order to stimulate investment;
2. The significant military buildup;
3. The cost of the Iraq war; and
4. The large growth in Medicare and Medicaid costs.

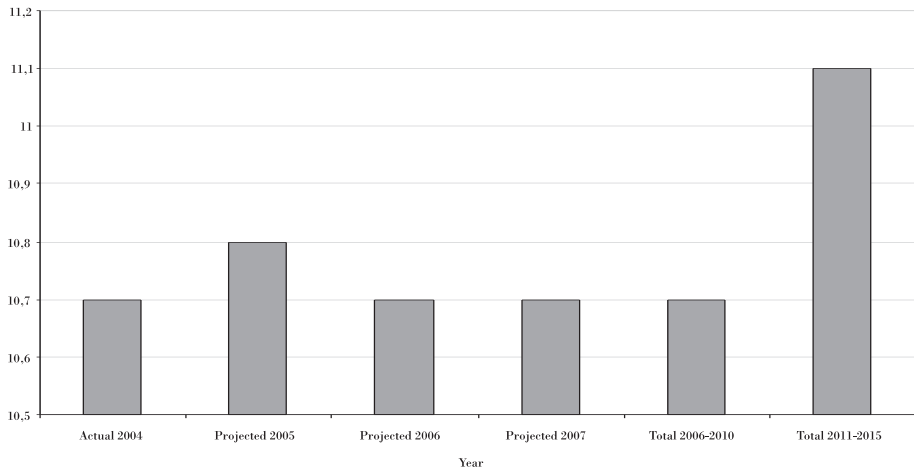
Figure 2: United States Fiscal Deficit



Social Security helped finance the deficit during this period in that revenue exceeded benefit payments and the surplus in this account was used for current expenditures. However, looking ahead, mandatory spending (Social Security, Medicare, Medicaid in particular) will explode if

reforms are not undertaken in many areas. This is shown in figure 3. The data used to construct the graph in figure 3 assume no changes in current practices, something that is most unlikely. Indeed, the chart is included to demonstrate the need for change.

Figure 3: United States Total Mandatory Spending (% of GDP)



#### THE CURRENT ACCOUNT DEFICIT

The U.S. deficit in the current account of the balance of payments has definite links to the budget deficit. Technically, the following equation prevails:

Budget deficit = balance-of-payments deficit + private net savings.

Thus, as the current account deficit rises, so will the budget deficit. The average U.S. private net savings since 1952 has been 1.8 percent of GDP. Therefore, if one assumes a current account deficit of 8.5 percent of GDP in four years, then the budget deficit at that time will likely be 7.2 percent of GDP. Figure 4 shows the growth of the current account deficit since 2000 and projects this forward to 2006, when the deficit is estimated to exceed 6 percent of

GDP. If there are no policy changes, the current account deficit by the end of President Bush's second term in 2008 will, in fact, reach about 8.5 percent of GDP. Some policy changes are likely, however, and the deficit may not be that large. Figure 5 shows the recent worsening of this deficit in absolute terms—to more than \$650 billion in 2004 and an estimated \$768 billion in 2006, both figures in current dollars.

As U.S. current account deficits grow ever larger and require capital inflows to finance them, the U.S. foreign debt will grow. U.S. net liabilities for foreigners were zero 20 years ago. They are \$2.4 trillion today, and growing (figure 6).



Figure 4: United States Current Account Deficit as Percent of GDP

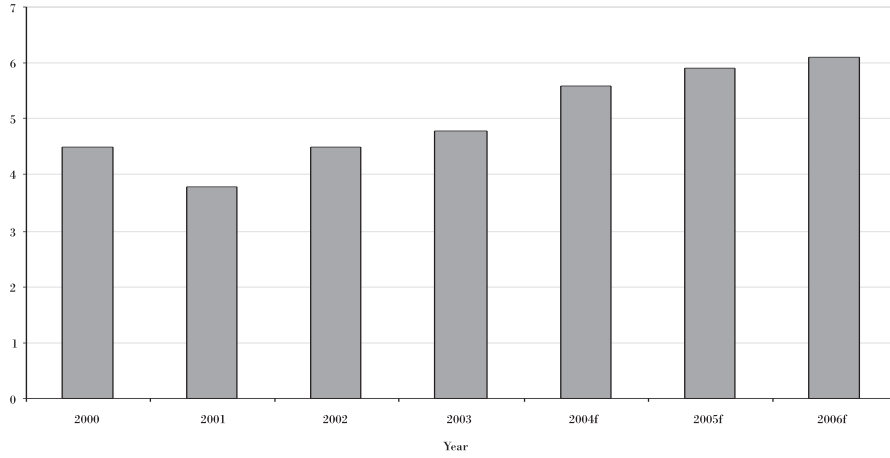
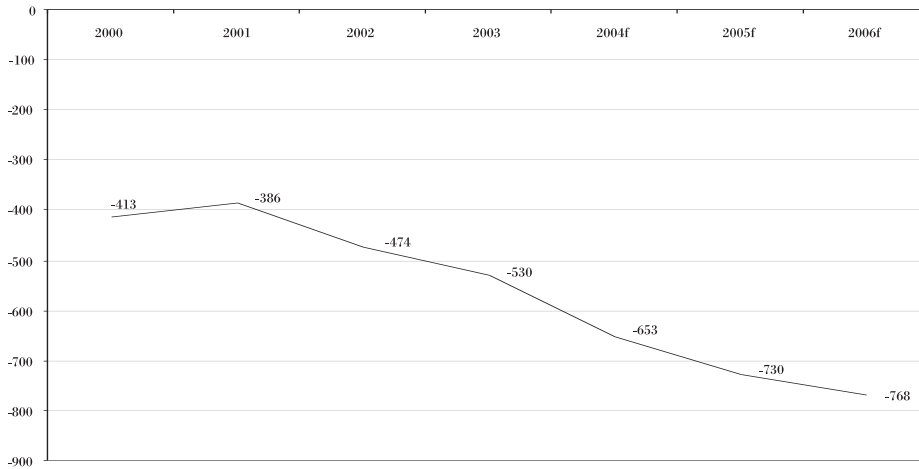


Figure 5: United States Current Account



## THE VALUE OF THE U.S. DOLLAR

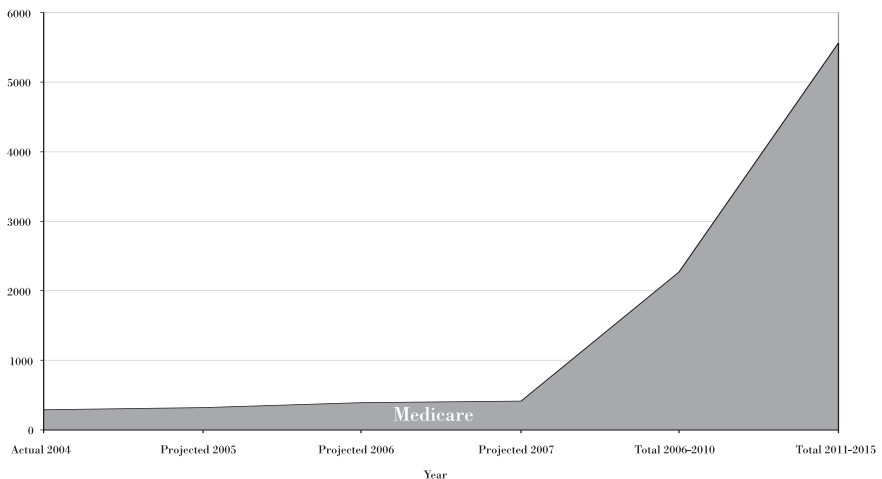
The dollar has depreciated sharply over the past five years with respect to the currencies of most major trading partners. You in Spain are well aware of this, as the euro has appreciated sharply vis-à-vis the dollar. The Chinese renminbi (or yuan) has remained steady even as China has built a staggering trade surplus with the United States and accumulated massive foreign reserves, mostly in dollar-denominated U.S. treasuries. The U.S. treasury secretary continues to insist that he wants a strong dollar, even as his department acts to encourage depreciation of the currency. My expectation is that the dollar will depreciate further in the months and years ahead. I doubt that dollar depreciation is the best path to greater trade equilibrium, but I am convinced that world exchange rates are incorrectly aligned. Many Asian

countries deliberately keep the value of their currencies low to make their exports competitive.

The problems associated with explosive spending for U.S. entitlement programs are on the agenda of President Bush's second term. Figure 7 shows the growth of mandatory spending for social security. This is not a speech to discuss proposed social security reform, or President Bush's desire to establish private or personal accounts. However, I do wish to note that the president's privatization proposals could add \$4.5 trillion to the budget deficit over the next 20 years.

Figure 8 shows U.S. mandatory spending for Medicare. This is an even bigger problem than the budgetary cost of social

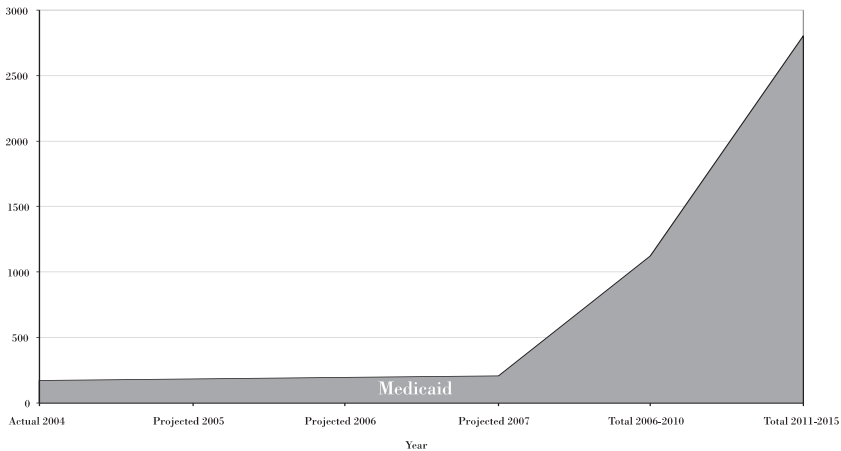
Figure 8. United States Mandatory Spending for Medicare



security, and it is not really being addressed. Figure 9 shows mandatory spending for Medicaid. This is the health program for the poor for which states bear

a heavy cost—and they are trying to shed this. The program will certainly have a rocky future.

Figure 9: United States Mandatory Spending for Medicaid



I have provided enough numbers to provide you with a picture of the budgetary and balance-of-payments issues the United States faces in coming years. There are two ways to look at this array of numbers and charts: the first is to argue that financing the deficits has gone smoothly thus far—therefore, why panic now? The second approach is to conclude that a day of reckoning is coming—and, because this could be a mess affecting the entire world, some action is needed as soon as possible.

The why-panic argument includes the following elements:

1. U.S. economic growth has exceeded Europe’s and this would not have been possible without these deficits.
2. High Asian growth rates depend to a great extent on the growth of the U.S. economy. This can be seen as an implicit bargain: high economic growth in Asia and growing U.S. trade and current account deficits to sustain this.
3. The financing to support the deficits has been forthcoming (although there are signs that Asian central banks are diversifying away from the dollar in their foreign reserve buildup).

The foregoing is largely the official U.S. argument, and one adopted by many (but by no means all) conservatives who were once deficit hawks.

The day-of-reckoning argument has the following elements:

1. Some central banks are putting reserve buildups into euros and other assets rather than in dollar assets out of fear of further decline in the U.S. dollar.
2. Even for the United States, there is a limit to the current account deficit—6 percent, 7 percent, and 8 percent? — but we are not sure just where.
3. All signs are for an expansion of the budget deficit: the cost of the Iraq war; the loss of revenue if Bush's tax cuts become permanent, as he wishes; social security privatization, if this takes place; Medicare and Medicaid entitlement growth; and other spending obligations, such as for the military.
4. As the Economist put it in a leader on January 29, 2005: Mr. Bush's pledge to halve the deficit in his second term looks increasingly empty.

As the title of my talk makes clear, I take the second approach.

#### WHAT CAN BE DONE—THEORETICALLY AND PRACTICALLY?

In theory, many things can happen that would ease (even if not resolve) the budgetary and trade problems of the

United States, but each has its practical limitation. For example:

Higher European and Japanese economic growth rates would stimulate U.S. exports to them—but the projections for growth in these areas next year are modest. Higher U.S. interest rates (which are likely) would slow the growth of the U.S. economy and slow as well the growth of U.S. imports—but probably would slow as well U.S. export growth as other countries felt the economic effects of their lower exports. Further dollar depreciation would stimulate some exports—but probably at the expense of the U.S. dollar as a reserve currency. Chinese and other Asian currency revaluations could make U.S. exports more competitive in their markets and slow their exports to the United States somewhat—but those countries show little inclination to do this. A rise in private U.S. savings would reduce the need for U.S. borrowing from foreign sources—but the private U.S. savings rate has been stuck at less than 2 percent for too long to anticipate much change now. The United States has largely created its own financial problems—but other countries contributed as well via undervalued exchange rates and protectionism.

My guesses as to outcomes are the following:

1. Some issues (like exchange rates and reserve accumulation) can be addressed multilaterally. While this is possible, I would not bet on it.
2. There could be a major devaluation.

I fear that the odds for this are high,  
but I don't know when.

3. And there could be a major crash that  
would affect the entire world. The  
chances that this will happen are real,  
but I am unwilling to predict the odds.

4. I close with a hope—not an expectation—  
that there will be some collective  
actions, with each participant taking  
the corrective action that befits the  
country situation.

PAUL ISBELL

## “Years of Living Dangerously: From the Twin Deficits to the Balance of Financial Terror?”

(Derived from, and based upon, a presentation given at the Casa de América in Madrid on February 28, 2005 in the Seminar “Tendencies in US Policies for the Next Four Years”)

### US GROWTH AND THE “TWIN DEFICITS”: ARE THEY SUSTAINABLE?

Economic growth in the US has been relatively impressive during the last two years and is now moving forward at about 3.5% a year. While employment growth has been the weak leg in the US recovery from the 2001 recession, there are some recent if not yet altogether conclusive signs that employment may be picking up again in a broad and sustainable fashion.

Nevertheless, the US’s large and growing current account (or “external”) deficit, together with its significant government budget (or “internal”) deficit, has begun to place real limits on future US growth.

Is current US growth sustainable in light of these “twin” current account and government budget deficits? If these deficits themselves are sustainable, then, yes, we would conclude that US growth is also currently unfolding upon a stable foundation – at least in the short and middle run. Perhaps it would be easier then to ask whether or not the current account deficit itself is sustainable? Unfortunately, our answer is no. Once this is established, the only real questions that remain to be answered are: (1) At how high a level -- and

for how long -- can the external deficit be maintained? Put in other words, when will the inevitable correction begin? Will the adjustment occur within George Bush’s second presidential term? Or only after the next presidential election? Furthermore, (2) what will be the consequences of this ultimate readjustment of the current account? Will the correction be severe or mild? Will the US -- and the world -- economy experience a significant recession, or a mere soft landing? Finally, (3) what will be the implications for US domestic and foreign policies, and for the economic and political responses from the rest of the world?

#### THE SCOPE AND NATURE OF THE EXTERNAL DEFICIT

In 2004 the US’s trade deficit finished the year at a record US\$612bn, while the current account deficit (a slightly broader account of the external position) ended up at US\$670bn, or some 5.7% of GDP. This was the largest absolute and relative level of external deficit registered by any advanced

economy in recent times. Meanwhile, the government’s fiscal deficit, even during a year of strong economic growth, came in at US\$412bn (or 3.6% of GDP), much of which was the result of the Bush administration’s tax cuts enacted during the previous years. An increasing amount of debate now revolves around the causes of these deficits and their implications, not only because of their unprecedented nature and international reach, but also because each particular explanation implies a very distinct set of conclusions for US and international policy.

Some analysts have focused on the “twin” nature of the deficits, arguing that loose fiscal policy directly feeds the current account deficit by stimulating consumption growth and imports. Beyond that, however, government borrowing to finance the fiscal deficit increasingly has been forced to rely on foreign savings channelled to the US by foreign investors whose ongoing interest receipts not only make the US fiscal burden heavier but also constitute outflows on the current account in the future, contributing to an ever wider external deficit. Meanwhile, the widening current account deficit requires – and hopefully continues to attract -- ever more inward finance, which is easily channelled into US government debt, either through the primary market (increasing the fiscal burden) or through

the secondary markets (keeping interest rates relative low and further encouraging ever more consumption and imports). This argument, therefore, focuses on the need to reduce US government deficits and borrowing, a primary cause, in its view, of the external deficit. Of course, this is an uncomfortable conclusion for many Americans, as it implies the need to either raise taxes or cut spending, both of which are politically sensitive propositions. Either or both such policies would certainly imply slower growth for the US, possibly provoke political backlashes from distinct and competing constituencies, and unleash a bloody political fight over the direction of US foreign policy, its financing, and the prioritization of the concomitant sacrifices.

Others experts question the link between the two deficits, arguing that fiscal deficits and current account deficits have not always moved in parallel in recent history<sup>1</sup>. Furthermore, this argument also claims that the primary cause of the US current account deficit is the relative attractiveness that the US economy offers to foreign investors channelling international savings. The buoyant US economy, superior to other major economies in terms of productivity growth and expected future returns, therefore acts as a magnet for world savings, keeping, in turn, US interest rates low and feeding US consumption which, for

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<sup>1</sup> See, for example, Michael Mussa, “Sustaining Global Growth while Reducing External Imbalances,” p. 180, in Fred C. Bergsten and the Institute for International Economics, *The United States and the World Economy: Foreign Economic Policy for the Next Decade*, Washington: IIE, January 2005. However, those from the “twin deficit” school might argue that while the current account and fiscal deficits are not necessarily “identical” twins, they are perhaps “non-identical” twins, or at the very least, siblings, in that that can have direct and indirect feedback effects upon each other. While external and internal deficits might not always move in the same direction in the short run, they become particularly dangerous when they “appear” as twins, that is when both are simultaneously large and growing, and when they begin to act as twins.

its part, serves as the world's only stable growth engine<sup>2</sup>. While this view concedes that US fiscal policy should be gradually, if prudently, restrained, it also places more emphasis elsewhere, primarily on the imperative for other major economies to make essential adjustments to increase their own domestic demand and reduce their level of excess savings, so as to take on some the burden for world growth.

This view attempts to deflect the debate away from the fiscal and foreign policies of the Bush administration and instead focuses upon the economic and foreign policies of Europe and Asia. According to this view, Europe still requires significant economic reform in order to make its economy more flexible and, therefore, capable of generating more domestic demand and imports from the US. Asia, for its part, must allow its exchange rates to appreciate in order to take pressure off the US trade deficit. This point of view sees it as misguided to focus on Bush's fiscal and foreign policies as the main factors behind US deficits – after all, the US has shouldered the twin burden of providing demand for an anaemic world economy and essential security for the world system. Instead, the primary problem resides in the misguided policies of Europe and Asia that undermine domestic demand and force these economies to rely upon US- supported

export growth. Such a view places the burden for the more difficult and challenging political adjustments on those who generate the world's excess savings.

On the other hand, both schools of thought – while differing significantly in the evaluation as to the immediacy of the coming adjustment -- do acknowledge that an adjustment, or some sort, will need to take place. While there are also different views on the most likely pattern of adjustment – smooth and relatively painlessly versus abrupt and potentially messy – there is nevertheless a consensus on the need for the dollar to depreciate further. The real effective exchange rate of the dollar has depreciated between 15% and 20% since its last peak in 2002, but there is broad agreement that for the current account deficit to decline to more sustainable levels (between 2.5% and 3% of GDP), a further 15% to 30% real effective depreciation will be required<sup>3</sup>. Because the dollar has already depreciated significantly against the currencies of most advanced economies, including a partial correction against the Japanese Yen, this means that the most efficient dollar depreciation should occur against the export-sensitive currencies of continental Asia, particularly the Chinese Yuan<sup>4</sup>. However, many do acknowledge the potential for currency overshooting, even against the export

<sup>2</sup> See, for example, Ben S. Bernanke, member of the Board of Governors of the US Federal Reserve, "The Global Saving Glut and the US Current Account Deficit," Sandbridge Lecture, Virginia Association of Economics, Richmond, Virginia, March 10, 2005.

<sup>3</sup> See Michael Mussa, *op cit*.

<sup>4</sup> Since the dollar's "twin peaks" against the euro in late 2000 and early 2002, the euro has appreciated against the dollar in nominal terms by approximately 40%. The anglo-saxon currencies (the Canadian and Australian dollars, along with the British pound) have appreciated against the dollar by more than 20%. The Japanese yen has appreciated more than 10% by in real terms there has been no movement.



-sensitive Euro, making this process of adjustment highly politically-charged and technically tricky.

Nevertheless, the current account deficit remains a palpable and daily fact – and there are no clear signs that the dollar depreciation that has occurred to date has made the slightest impact upon it<sup>5</sup>. The most recent monthly trade deficit figures from the US show the deficit reaching record levels, on track to finish 2005 well over US\$700bn. Some analysts, like those at the OECD, have estimated recently that the external deficit could reach US\$900bn (or 6.7% of GDP) in 2006<sup>6</sup>. One comment that has constantly been made in the press -- to underline the scale of the external deficit and the foreign financing needed to maintain it -- has been the need for the US economy to import over US\$1.8bn of capital everyday. On an average net basis this is true. However, even this oft-repeated fact deserves some closer inspection, for it hides from view the fact that, in gross terms, the US must import at least US\$3.6bn a day. If we think further in terms of only working days, the net requirement is nearly US\$2.8bn per day, far more than the

figure so often repeated.

Furthermore, the level of US net external obligations (or its net international investment position, generated from past accumulation of current account deficits) is now estimated to be over US\$3 trillion, or approaching 30% of GDP<sup>7</sup>. The resulting net outflow of interest, dividend and other profit payments on these obligations is now estimated to be equivalent to about 30% of the current account deficit every year, and this is likely to continue to grow. Even should the trade deficit remain constant in relation to GDP, current net external obligations will have to be paid (and financed as well), a process which by itself would widen the current account deficit over time. The OECD has estimated that even ongoing deficits of only 3% of GDP – about half the current levels -- would bring the US net international investment position (or NIIP) to 40% of GDP by 2010, eventually stabilizing about 63%. Should the external deficit remain at current levels, the OECD estimates that the NIIP would reach 50% of GDP by 2010 and eventually 100%. Our own estimates – which correspond to those of many other economists – is that assuming 4% growth in the US economy indefinitely into the future, along with

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<sup>5</sup> The typical delay in current account correction after an exchange rate movement (known as the J-curve effect) takes anywhere from six months (according to Nouriel Roubini) to two years (according to Michael Mussa) to occur. Even according to the view which expects a two year delay, the US current account deficit should now be improving significantly, given that the bulk of the real exchange rate depreciation to date has occurred during 2002, 2003 and 2004. Either there are other factors (ie, oil price increases) preventing the J-curve from executing an improvement, even if delayed, in the US current account, or the necessary “expenditure adjustment” – crucial as a complement to the “expenditure switching” caused by currency depreciation – has simply not taken place due to continued increases in the US budget deficit and US household indebtedness levels.

<sup>6</sup> According to the most recent monthly date, trade deficit figure fell by US\$5.6bn to US\$55bn in March. See the Bureau of Economic Analysis, <http://www.bea.doc.gov/bea/newsrel/tradnewsrelease.htm>. However, such a level still puts the trade deficit at US\$660bn on an annualized basis, an increase of nearly 8% over 2004.

<sup>7</sup> The most recent figures for the US NIIP date from year-end 2003, and put it at US\$2,430bn. See. [http://www.bea.doc.gov/bea/newsrelarchive/2004/intinv03\\_fax.pdf](http://www.bea.doc.gov/bea/newsrelarchive/2004/intinv03_fax.pdf). However, factoring in the current account deficit from 2004 and the first quarter of 2005 would likely put it above US\$3,000bn.

current trade deficit levels, the NIIP will reach some 57% of GDP by the end of 2008<sup>8</sup>. The growing fear is that international investors will become increasingly sceptical about continuing to finance a US current account deficit that is feeding an unsustainable rise in US net external obligations, provoking a severe dollar crash, a subsequent spike in US interest rates and a painful world recession.

#### THE SOURCES OF THE DEFICIT

But what exactly is generating the current account deficit? Or, to put the question another way, is the required foreign borrowing financing investment or consumption? And is such borrowing being undertaken by private or public agents? At the height of the 1990s boom (mid-1998), the US current account deficit remained a modest 1.5% of GDP. But as the boom progressed and the external deficit grew, the latter was being generated by an increase in investment spending. Meanwhile, the primary agents behind the necessary borrowing were private sector actors. Public savings actually increased, as the government's budget was moving into surplus. According to the so-called Lawson Doctrine -- which identified a

current account deficit as dangerously unsustainable only if it were generated by excessive consumption spending and financed by government borrowing -- there was no particular problem with the growing US current account deficit in the 1990s -- just as Nigel Lawson himself saw no great danger in the British current account deficit during the mid-1990s<sup>9</sup>. Catherine Mann, a senior fellow at the Institute for International Economics in Washington, and an expert in the dynamics of the US current account, has likened such foreign borrowing on the part of the US during the 1990s to the astute student who takes out student loans to pay for tuition and buys books with a credit card. It is the investment nature of the spending in question -- at least theoretically capable of contributing to a future stream of income much higher than in its absence -- which justifies the increased indebtedness required to finance it.

However, this decade's US external deficit has acquired an entirely different, and more questionable, character. The macroeconomic policy responses to the recession of 2001, including the rapid drop in interest rates to the lowest levels in half a century, along with the rapid deterioration of the government's budget

<sup>8</sup> See, for example, Nouriel Roubini and Brad Setser, "Will the Bretton Woods 2 Regime Unravel Soon? The Risk of a Hard Landing in 2005-2006." Nevertheless, there are others, like Michael Mussa, who argue that an NIIP of 50%-60% -- as opposed to one of 100% of GDP -- would not constitute a real danger, while still others, like Helene Rey, argue that automatic adjustment mechanisms inherent within the financial account and NIIP, acting through dollar depreciation effects on US-held foreign assets, will push out the ultimate limits that US external deficits face in the future to far beyond what many fear today are imminent constraints. Such perspectives will be dealt with below.

<sup>9</sup> Although Lawson did see a growing danger in the US where the large and growing current account deficit was accompanied, and fed, by its "twin," the large and growing public sector deficit. The dollar collapse of 1987, and the subsequent stock market crash of October 1987, seemed to vindicate the distinctions made in the Lawson Doctrine.

surplus (some 2% of GDP) into a large and growing deficit (nearly 4% of GDP), not only transformed the nature of the spending financed by the US's foreign borrowing, but also changed the quality of this borrowing itself<sup>10</sup>. When investment spending collapsed in the wake of the bubble, consumption remained strong, in response to cheap money and easy mortgage refinancing. Meanwhile, as a result of the Bush administration's three successive tax cuts (2001, 2002 and 2003), the government became the economy's largest net borrower, dwarfing the impact of borrowing from the private sector that was instead busily rebuilding balance sheets and increasing the level of net private corporate savings. Furthermore, the current account deficit, traditionally expected to move down toward balance during a slowdown or recession, did not adjust at all. On the contrary, it continued to increase relative to the GDP, moving from 4.5% in 2000 to 5.7% in 2004. Furthermore, the unrestrained tendency to borrow from abroad was no longer generated by strong levels of productive investment spending but rather by private household and (increasingly) government consumption. Mann likens this behaviour to that of the carefree student who drops out of school and decides to pass the time on a Caribbean beach instead, putting all such expenses on his credit card.

But as the Fed continued to keep interest rates depressed at historically low levels, consumers were able to continue financing their consumption binge by borrowing

against inflated asset values. The boom in housing prices, unleashed by the Fed's historic cheap money policy, allowed for at least three successive waves of mortgage refinancing, producing fresh wads of cash for consumption spending. Nevertheless, the increased debt level implied by mortgage refinancing would remain fixed, even despite a future likely drop off in housing prices, once consumers -- or bank lenders -- lost their nerve and refused to continue to borrow and buy -- and certainly once the Fed began to raise interest rates again. Therefore, we liken such borrowing behaviour, increasing the current account deficit still further, not to the drop-out who would merely finance his Caribbean holiday on credit, but more to the drop-out who not only uses his credit card to get him to Vegas, but also to stake his gambling spree.

But the true nature of the US current account deficit is even scarier. The current account has moved from 1.5% to nearly 6% of GDP in seven years, while the fiscal position has slipped from 2% surplus to a deficit of over 4% of GDP in even less time. The current account, while widening, has transformed from an investment to a consumption affair, while the principal borrower has changed from the private sector -- presumably bound to make the correct decisions within the context of a functioning market -- to the state.

Furthermore, while it is clear that foreign ownership of US assets is becoming increasingly pronounced -- foreigners owned only 20% of outstanding US Treasuries in 1990,

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<sup>10</sup> According to Michael Mussa, while the actual fiscal position in the US shifted by some 6 percentage points of GDP between 2000 and the end of 2004, the structural deterioration in the US fiscal position over the same period was equivalent to 4% of GDP.

compared to nearly 50% today – it is less and less the foreign private sector that is continued to extend fresh funds to the US. While inward flows of private FDI have softened noticeably (from US\$300bn in 2000 to US\$30bn in 2003 to US\$100bn in 2004), official – or public – foreign financing of the US current account deficit has largely taken over from the private sector. During the last two years, upwards of 80% of the US current account deficit was financed by the reserve intervention policies of the world's central banks, with Asian central banks alone contributing as much as 80% of this (or some 60% of the total). China's central bank alone financed nearly a third of the US current account deficit in 2004.

So borrowing to finance investment has become borrowing to finance consumption. Private consumers, meanwhile, have been joined by the government in the borrowing and spending binge. Crucially, however, private sector lenders have increasingly abandoned the field – even as US growth rates have bounced to above 4% in 2003 and 2004, after the doldrums of 2001 and 2002 -- and ceded the terrain to official public actors, principally the world's central banks. What is more, the bulk of this new official-sector lending is concentrated in Asia. While much of this financing has been extended by the US's strategic allies (Japan, South Korea and Taiwan), by far the most dynamic central bank lender has become China, a rival that the US frequently accuses of unfair and manipulative trade practices, widespread

human rights violations, aggressive bullying of its neighbours and behaviour which, when it does not condone international terrorism, certainly does not help to eliminate it. To make matters even worse, central banks have recently begun to diversify the types of assets in which they invest their growing reserves. While US treasury bills and bonds have traditionally been the asset of choice for reserve managers, there is evidence of a recent shift toward other less traditional forms of debt, like agency paper or – even more disconcerting -- higher yield, higher risk assets like US mortgage-backed securities. So the Chinese authorities, by way of financing the US current account deficit, are now investing in the US housing market bubble...what next?

This scenario is even more unstable than that of the dropout cut loose in the casinos of Vegas with only his credit card. He has now exceeded his traditional credit limits and squandered all of this available credit at the roulette wheel. Rather than quitting and getting a job so as to generate income to pay down his debt, he has borrowed still more money on the black market from the Mob. While the interest rates he is forced to pay remain lower than with the typical loan shark, this is only because he has befriended that Mafioso's son who is secretly lending him funds drained from his father's accounts, so that our friend can continue to feed his bad habits at the casinos. Short of a miracle, can this story end in any other way but bad? It is true that the nature of the relative power

relations between our gambler (the US) and his new found unconventional creditor (China) are more balanced and symbiotic than in this simplified example.

Nevertheless, it is clear that the scale and nature of US spending and borrowing has undergone a profound transformation that will have important implications for world macroeconomic stability and international geopolitics.

#### APOLOGIES FOR US DEFICITS

Throughout 2004, economist after economist warned of the unsustainable nature of US deficits. Robert Rubin, Larry Summers, Kenneth Rogoff, Wynn Godley, Stephen Roach, Martin Wolf, Fred Bergsten and Catherine Mann are just a few of those who have attempted to sound the warning<sup>11</sup>. Former Fed Chairman Paul Volcker even declared that there was, by late 2004, a 75% chance of a dollar crisis within the next five years. The IMF has also warned of the same dangers in its official publications, both in 2004 and 2005, advocating immediate fiscal policy tightening in the US and arguing that the recent Bush tax cuts threaten to undermine the economy's fiscal solvency and possibly

a dollar crisis<sup>12</sup>. The OECD recently contributed to the warning, publishing its forecast in May that the US current account deficit would continue to rise in 2005 (to 6.4% of GDP) and 2006 (to 6.7%), and calling on the ECB to lower interest rates so as to stimulate Euro area domestic demand to help check this dangerous trend.

Even Alan Greenspan acknowledged, in the fall of 2004, that the current account deficit could not be expected to continue to widen indefinitely without repercussions: foreign investors' appetite could easily begin to wane. Greenspan's apparent confirmation of what by last November had become an increasingly loud chorus of warnings from a wide range of respected economists and economic commentators set off a dollar slide which became especially pronounced in the last days of December and early days of January. Not only did the Euro rise to nearly US\$1.36, but most other major world currencies – with the key exception of the Chinese Yuan – also registered notable appreciation. This dollar depreciation combined with news of record US deficits in 2004 to provoke a string of analyses during the early to 2005 which take issue with the most alarmist version of the story (most clearly represented by

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<sup>11</sup> Robert E. Rubin, Peter R. Orszag and Allen Sinai, *Sustained Budget Deficits: Longer-Run U.S. Economic Performance and the Risk of Financial and Fiscal Disarray*, Brookings Institution, January 2004; Lawrence H. Summers "The United States and the Global Adjustment Process," IIE, March 2004; Lawrence H. Summers "The U.S. Current Account Deficit and the Global Economy," Per Jacobsson Lecture, September 2004; Kenneth Rogoff, "Bush Throws a Party," *Foreign Policy*, March/April 2004; Wynn A. Godley, et al., "Prospects and Policies for the US Economy: Why Net Exports Must be the Motor for US Growth," CERF, University of Cambridge, July 2004; Stephen Roach, "The Funding of America," Morgan Stanley Dean Witter Global Economic Forum, August 23, 2004, and January 3, 2005; Martin Wolf, "America is now on the comfortable path to ruin," *Financial Times*, August 18, 2004, and "Why the US current account deficit is a cause for concern," *Financial Times*, August 25, 2004; and Catherine Mann, "Managing Exchange Rates: Achievement of Global Re-Balancing or Evidence of Global Co-Dependence?" *Business Economics*, July 2004.

<sup>12</sup> International Monetary Fund, *World Economic Outlook*, Washington, D.C., April 2004, and April 2005.

Nouriel Roubini of NYU and his colleague, Brad Setser) and bring into question the severity of the US external deficit and the likelihood of a disruptive adjustment process leading to a hard landing.

Some of the most sophisticated responses have come from important figures at the US Federal Reserve, including Greenspan himself, Ben Bernanke and Roger W. Ferguson, Jr.<sup>13</sup>. These analyses, although slightly different in their emphases, argue that the US current account deficit is not as destabilizing as many presume. Briefly put, they argue that structural changes in the global economy tend to allow US deficits to grow to a larger degree than has traditionally been believed feasible or sustainable. What is more, these structural changes provide mechanisms which will likely make the ultimate adjustment of the current account deficit gradual and orderly.

Greenspan's talk, while touching upon the arguments which have subsequently been picked up by his colleagues, focused on the imminence of the adjustment to the trade deficit which he saw as just around the corner by the end of 2004. His argument, when answering the question as to why the current account deficit had continued to

widen despite the significant dollar decline against most of the currencies from the developed world (particularly the Euro, the Pound and the other "Commonwealth" currencies) since early 2002, was that foreign exporters had been squeezing the profit margins in 2002 and 2003 so as to maintain US market share. Such behaviour, which repressed the exchange rate-pass through effect on the dollar prices of US imports, had short-circuited current account adjustment process stemming from dollar depreciation. He nevertheless saw evidence that this process coming to an end during 2004, as foreign exporters began to abandon such a strategy as profit margins reach the low limit of sustainability. This change would presumably mean that higher profit margins for foreign exporters would lead to higher US import prices. Nevertheless, it would appear that such an argument would imply that: (1) the normal J-curve dynamic had not yet begun to play itself out, implying even further delays in the current account adjustment; and (2) only further dollar depreciation against these currencies would produce the desired pass-through effect and resulting downward adjustment of US imports. The open question is, however, not only whether the dollar should decline further against these "Western" currencies, but also whether it will<sup>14</sup>.

<sup>13</sup> Alan Greenspan, Chairman of the Federal Reserve Board, "Current Account," Remarks at Advancing Enterprise 2005 Conference, London, England, February 4, 2005; Ben S. Bernanke, Member of the Board of Governors of the US Federal Reserve System, "The Global Saving Glut and the US Current Account Deficit," Remarks at the Sandridge Lecture, Virginia Association of Economics, Richmond Virginia, March 10, 2005; and Roger W. Ferguson, Jr., Vice-Chairman of the Board of Governors of the US Federal Reserve System, "US Current Account Deficit – Causes and Consequences," Remarks to the Economics Club of the University of North Carolina at Chapel Hill, North Carolina, April 20, 2005.

<sup>14</sup> Indeed, as of late this trend has been reversed as the dollar has strengthened against many Western currencies, particularly the Euro. The Fed's defence of the sustainability of US external deficits and its insistence on their benign nature seems to have calmed the markets in recent weeks, allowing investor attention to return to more short-term, cyclical factors affecting the dollar-euro exchange rate (like the widening growth and interest rate

The arguments of Ben Bernanke and Roger Ferguson are more varied, but coalesce around the claim that the US current account deficit stems not from the US budget deficit, or a growing shortage of US savings, but overwhelmingly from a savings glut in rest of the world as a result of insufficient domestic demand in other economies, from the significant productivity growth differential between the US and others, and from globalization’s impact on reducing the home bias of international investors (who now bring their funds to the US market more readily than in the past). This boils down to the claim that the US external deficit has become so large by relative and historical standards not because of excessively imprudent US spending and indebtedness but rather because of the enormous attraction that the US economy holds for international capital flows in the context of open and globalized capital markets and weak domestic demand in the rest of the world.

The basic conclusion of these arguments coming from the Fed representatives is that the unprecedented nature of US deficits should not give cause for unprecedented levels of concern. We are simply operating on a level of economic reality with no historical precedent and therefore past criteria do not hold the same relevance that they might once have. One of the important implications of this position is that the growing US budget deficit plays little if any role in the growing current account deficit.

Indeed, the claim is made that even if the budget deficit were eliminated tomorrow, this would have only a marginal impact on the current account position. Part of the argument here is that government dissavings since 2000 have not crowded out net exports but rather private spending (private consumption and business investment) and have been to a large degree offset by a build-up in private savings. The implication here is that without the Bush fiscal expansion, the build-up in private savings would not have taken place and the continued private spending trends would have bloated the current account deficit to nearly the same current levels. The upshot is that the culprit is not Bush’s fiscal policy at all – although all the Fed authors are careful to claim that fiscal consolidation would still be positive, but on other independent grounds – but rather the changes wrought by economic globalization and the varying degrees of ease (the US economy) and strain (Europe, for example) which different economies around that world have experienced in adjusting to such changes.

One is still uncomfortable with this line of argumentation, however. First, the build-up in private savings was mainly a corporate phenomenon which occurred primarily in 2001 during the fallout of the boom (stock market decline, dot.com crash, and corporate scandals) as companies sought to shore up their balance sheets. The build-up in private household savings has been minimal and levels remain historically low

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differentials between the US and the Euro zone, and issues of market sentiment, like the impact of the victory of the No vote in the recent referendum on the EU constitution). As a result, the Euro has recently slid to as low as US\$1.23/. However, this makes the remaining current account adjustment that still must take place vis-a-vis the Euro zone all the more difficult for the US.

(in February Greenspan said the personal savings rate was 1%, although in April Ferguson claimed it was less than 2%). Furthermore, the private sector savings rate (including both corporations and households), after recovering somewhat during the recession to just under 15% of GDP, has been constant since 2002 – according to the very same data used by the Fed simulation study cited by Ferguson -- even as the budget deficit and the current account deficits have continued to widen.

Do we really believe that without the growth in the budget deficit both private households and corporations would have continued to save less and to go further into debt, thus maintaining US growth and the expansion of the current account deficit? Or is it not more plausible that without the fiscal and monetary expansions since 2001, private households and corporations would have contracted their spending even more and built-up their savings to even higher levels, with the accompanying result being a steeper and longer recession?<sup>15</sup> A steeper and longer recession no doubt would have had a corrective effect on the current account deficit. Could it be that if the current account deficit is to be sustainable at higher levels than previously imagined, and for longer periods of time, this would ultimately depend on maintaining US growth at high levels, based on the mirage of unsustainable fiscal and monetary expansions? Now that the monetary expansion is subsiding, can US growth continue at such buoyant rates? Can fiscal

expansion continue, and can it be sufficient to continue to underpin growth, particular in light of the potential impact of monetary tightening on the housing market and levels of household consumption? Could it possibly be that case, as Bernanke and Ferguson imply, that if indeed the budget deficit were to be eliminated tomorrow, the effect on the current account deficit would be nil? Why would this be so? Because the private sector (who? households? corporations?) will suddenly kick in with a renewed burst of spending and a concomitant draw down in the private savings rate? Were not the Bush tax cuts – arguable responsible for much of the fiscal deterioration -- justified as a way to stimulate both consumption and investment spending? Would a reversal of the Bush tax cuts or a significant slashing of public spending stimulate corporations and households to spend more?

We find this difficult to believe, to say the least. Either growth will have to subside, taking pressure off the external deficit, or the external deficit will eventually provoke a slowdown, soft or hard. Monetary policy has begun to tighten, sensibly, even if it means potential economic pain. At least, prudence in the face of potential renewed inflationary pressures has held the day. Will the administration follow suit with fiscal policy in the face of potential limitations on the horizon? In the end, these Fed-based analyses seem to assume that the growth pattern of the US since 2000 would have been the same with or without fiscal

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<sup>15</sup> These Fed representatives make surprisingly little direct reference to the effect that US monetary expansion might have had on the current account deficit.



and monetary expansion and that therefore macroeconomic policy has had no impact on the external deficit. This would appear to ignore the reality of the cleansing effects of recession – after a period of borrowing excess -- that lay the foundation for a sustained period of stable growth in the next phase of the cycle. If we can indeed ignore this assumption, then we are truly well into virgin territory. But remember that technology did not, in the end, slay the double-headed dragon of inflation and the economic cycle. Are we really to believe that globalization has now deactivated the limits that external deficits place on growth? Talk of new paradigms is typically a dangerous sign that a long cycle is about to break.

However, there is an aspect of these arguments from the Fed that does seem credible. If the whitewashing of the role of fiscal and monetary policy seems questionable, the arguments concerning the rest of the world should not be ignored completely. Pointing to the role that growth and productivity differentials play in creating a bias toward current account deficits and surpluses is useful in that it clarifies the role that other economies have in the development of the world’s current macroeconomic imbalances and thus implicates them in contributing to a smooth adjustment process. This is particularly important should global economic coordination prove necessary to minimize the global impacts of the adjustment process and if there is to be any chance of

equitably distributing the resulting policy and economic burdens. However, this positive effect is undermined by the insistence that US macroeconomic policy has had, and continues to have, no necessary role to play in this process.

There is also another set of arguments that has recently surfaced to minimize the importance that many place on the scale of the current account deficit and the risks of a hard landing for the dollar. These arguments focus on the potentially dangerous build up of net external obligations that the US economy must carry as a result of lasting and growing external deficits. The estimates of the OECD mentioned above, for example, that foresee the US’s negative NIIP quickly moving beyond 50% of GDP and even to 100% in the future suggest that even the normally attractive US economy might begin to lose its allure to foreign investors, who are likely to become increasingly weary of the continued sustainability of growing current account deficits and the potential for a dollar rout.

A new school of thought – while not dealing directly with the role of US fiscal deficits – argues that if we account for the effects of dollar depreciation on US-held foreign assets, the deterioration in the NIIP as a result of continued current account deficits is not as severe as one would think from the calculations of the NIIP using historic book value of assets. As a result, while the current account would adjust as a result of

dollar depreciation, adjustment would also occur via the financial channel as depreciation increased the dollar value of US foreign assets dominated in other currencies. This could possibly imply that the level of dollar depreciation required for sustainable adjustment would be less significant than traditionally assumed, allowing the sustainable current account deficit to be higher than previously thought. Some have therefore argued that the Euro, for example, need not fall any further to achieve adequate adjustment against the dollar<sup>16</sup>.

Such an argument might be valid in the case of a current account adjustment through a gradual depreciation of the dollar, similar to that which has occurred against the Euro. The implication is only that the negative NIIP will grow more gradually than previously assumed with any particular level of current account deficit, and that the dollar adjustment necessary will be less intense, allowing for a sustainable level of the current account deficit to be higher than previously imagined. This might make sense for analysis of Euro-dollar dynamics, suggesting that the dollar has depreciated sufficiently against the Euro and that the US-European bilateral current account has, or will, adjust to sustainable levels. But it says nothing about the principal drivers of the current account deficit – the position vis-à-vis Asia. Asian currencies on the whole have only adjusted in a minor way against the dollar, and the current account deficit vis-à-vis Asia continues to grow.

As we will see below, this situation is maintained, at least in part, by the fixing of the Yuan against the weaker dollar, and the desire of most Asia economies to attempt to limit their currency appreciation. To do this has required large scale currency intervention and a recycling of Asia's dollar reserves to the US, financing US fiscal and current account deficits continue to view US assets as superior to those in other economies and therefore are willing to finance much higher US deficits for much longer periods of time than in the past. However, both sets of arguments ignore the fact that in recent years official state actors – central banks – have largely taken over from private investors the role of financing US deficits. In this context, it is difficult to argue that US deficits are sustainable – ie, will not provoke a growth slowdown – or that that correction will be necessarily orderly and mild. If foreign central banks decide to slow that rate of dollar accumulation and investment in US assets, the correction could be severe. And if private investors can see what central banks see, there is little reason to believe that would step in to fill the gap – regardless of the arguments that in the long-run the superiority of the US economy and capital markets will continue to attract – all other things equal – world savings.

Nevertheless, there are also those who argue that US borrowing from Asian central banks to finance consumption keeps Asia expanding on the basis of export-led growth

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<sup>16</sup> See Wolfgang Munchau, "The Dollar has Fallen Enough," *Financial Times*, March 20, 2005, citing Pierre-Olivier Gourinchas and Hélène Rey, "International Financial Adjustment," CEPR Discussion Paper, 4923. See also, David H. Levey and Stuart S. Brown, "The Overstretch Myth," *Foreign Affairs*, March/April 2005.

which, in its turn, generates the excess savings and therefore the capacity to finance US consumption. This symbiotic relationship is deemed by those who defend it not only to be beneficial but also sustainable -- at least the middle run, if not in the long run. Indeed, for such voices this relationship represents, once again, a new paradigm in which. The arguments of both the Fed representatives and this NIIIP school of thought assume that private foreign investors many of our traditional criteria for external deficit sustainability simply do not apply.

#### NEW PARADIGM OR A BALANCE OF FINANCIAL TERROR?

As the dollar has weakened under the weight of the US current account and government budget deficits, many voices in the US (and some in Europe) have called for the revaluation of the “undervalued” Yuan. The claim – widespread among the US political elite -- that the Chinese are engaging in outright “currency manipulation” by actively maintaining an undervalued exchange rate has gained in credence and plausibility – particularly among US middle class voters -- as the Chinese bilateral trade surplus with the US (now some US\$170bn and nearly a third of the overall US trade deficit) continues to grow and as manufacturing employment in the US fails to recover convincingly.

Official US pressures on the Chinese to revalue, spearheaded by Secretary of the

Treasury, John Snow, and echoed by the G7’s periodic declarations, were particularly intense during 2003. Most US estimates claim that the Yuan remained 10% to 25% undervalued. Many voices even called for a quick and complete liberalization of China’s capital account and an immediate free float of the Yuan. In 2004, however, such pressures largely subsided as it became apparent that the simple, radical solution advocated by the Bush Administration could not realistically be expected from the Chinese authorities, nor could it be considered a problem-free solution for the US. Grudgingly, as the presidential election campaign unfolded, it was quietly recognized within Bush circles that the Chinese currency intervention required to prevent Yuan appreciation was also providing the key external financing for the growing budget and current account deficits (particularly after the Japanese terminated their large-scale currency intervention in April 2004) and was perhaps even providing for a significant, if invisible, subsidy to US consumption.

#### *Asian Reserve Accumulation*

While the US continues to import large volumes of Asian manufactured imports – facilitated by a dollar unable to depreciate against the Yuan and many other Asian currencies -- the concomitant Asian reserve accumulation has been to a large degree invested in US Treasuries – at least up to the present – providing a key flow of external financing for the growing budget and current account deficits. While total

world foreign exchange reserves nearly doubled from US\$2,290bn at the end of 2000 to approximately US\$4,000bn at the end of 2004, well over half of this accumulation has occurred in Asia. Asia now holds nearly two-thirds of global foreign exchange reserves (some US\$2,660), and most of this is found in East Asia. The People's Bank of China alone increased its reserves by over US\$200bn in 2004, financing nearly a third of the US current account deficit. China's foreign exchange reserves now total US\$610 (or roughly 40% of GDP). Some 75% to 80% of these reserves is estimated to be held in US Treasuries. China's rate of increased reserve accumulation rose from 5% on a year-on-year basis in 2000 to some 50% by the end of 2004.

This Asian reserve accumulation accounted for some 75% of US current account financing in 2003 and over 60% in 2004 and for nearly 80% of the financing of the US fiscal deficit in these years<sup>17</sup>. This has also arguably helped to keep long-run interest rates in the US lower than they might otherwise have been, providing even more stimulus to the US economy than the Fed's low short-term rates. This support to the US debt market, along with the resulting downward pressure on interest rates, in turn, has reduced US savings still further, fed the housing market boom, and stimulated the consumption which continues to drive US purchases of Asian exports.

### *Bretton Woods II*

This pattern of behaviour – with the Chinese fixing their exchange rate against the dollar, and other Asian countries demonstrating a “fear of floating” through the accumulation of dollar reserves, along with continued US government deficit spending, ever-growing external deficits, and the maintenance of a strong consumption boom in the US -- has created a symbiotic trade and financial relationship between the US and Asia which has been dubbed the new Bretton Woods II by a group of Deutsche Bank analysts<sup>18</sup>. During the last half of 2004, the pros and cons of such a new Bretton Woods II scenario, its sustainability and ultimate demise, along with related consequences, have been hotly contested in what has shaped up to be one of the most central contemporary debates on the international economy.

The sustained export-led Asian boom, facilitated by relatively stable exchange rates – ie, “riding the dollar down”, which implies even more competitive exchange rates vis-à-vis the Euro and the other “Western” currencies as the dollar weakens – has interacted with loose US fiscal and monetary policy in the wake of the 2001 recession to generate pronounced macroeconomic imbalances at the international level. Rapid Chinese growth, driven by export expansion – obviously facilitated by a Yuan which is not allowed to appreciate against the otherwise

<sup>17</sup> See Nouriel Roubini and Brad Setser, “Will the Bretton Woods 2 Regime Unravel Soon? The Risk of a Hard Landing in 2005-2006,” and Nouriel Roubini's Global Economics Blog, “Is the US Really Serious about Demanding a Revaluation of the Chinese Currency” April 17, 2005, [www.roubiniglobal.com](http://www.roubiniglobal.com).

<sup>18</sup> See Michael Dooley, David Folkerts-Landau and Peter Garber, see “The Revived Bretton Woods System: Alive and Well,” December 2004.

weakening dollar – has been considered essential by Chinese authorities as an engine of employment for the millions of new job seekers every year. This imperative creates the necessity to acquire dollar reserves which then need to be invested. Recycling dollars back into the US economy helps to finance US imports from the Chinese as well as to place downward pressure on long-term interest rates. Such financing – an indirect interest rate subsidy -- fuels the US consumption that propels the US economy forward and underpins Asian job-creating exports to the US. Asian savings therefore are, in the end, too high. This is expressed in the form of growing Asian trade surpluses with the US. US savings, are the other hand, are further encouraged to be too low, and this shortfall is made visible in the “twin” (budget and current account) deficits, which reveal the extent to which the US has become dependent on external finance to maintain its excessive levels of consumption.

The argument underlying the position that this Bretton Woods II arrangement is both sustainable and beneficial posits that both Asians and Americans have clear interests in perpetuating this symbiotic relationship. According to this view, Asian countries, particularly China, must maintain high rates of growth to generate sufficient employment for the millions made redundant by privatization and the millions more engaging in rural-urban migration in search of higher money wages. For China alone this means generating some 15 to 20 million new paying jobs every year. This

translates into a political imperative for the Chinese regime that must strive to maintain as much social stability and consensus as possible – regardless of whether or not the true goal of the ruling Communist Party is to affect a gradual transition to market democracy.

Furthermore, the Chinese authorities have already clearly stated – repeatedly – that they view an open and liberalized capital account, along with a free-floating exchange rate, as one of the ultimately goals of the market transition. Nevertheless, they have also clearly explained that movement toward such a goal will be gradual and carefully sequenced so as not to undermine economic and financial stability. Aside from the pressing social and political imperative to keep employment growing rapidly for years to come, the most sensitive economic issue is related to the challenging task of cleaning up and modernising the financial system and liberalizing capital flows.

The Chinese financial system is indeed ill-prepared to deal with flexible exchange rate. Because interest rates are still predominantly state-controlled, there are no on-shore forward (or other currency derivatives) markets to allow exporters to hedge exposure to the unpredictable swings of flexible exchange rates. Furthermore, Standard & Poor’s estimates that well over 40% of all loans in banking sector are non-performing. A Yuan revaluation would inflate the value of these non-performing loans, while deflating the value of the US\$45bn in US treasuries which were

injected into two major state banks in January 2004 as well as the other foreign reserve assets held within the Chinese banking system. Such effects, coming from the termination of the Chinese policy to hold the Yuan stable against a weakening dollar, could easily unleash a wave of bankruptcies in the financial sector.

Chinese monetary authorities have also proved to be very reticent to revalue the Yuan during periods of intense appreciation speculation. To do so would possibly ignite further speculative pressures, giving way to a distorting appreciating overshoot, exacerbating the debilitating impacts on the financial system. Revaluation would also disproportionately impact the earnings of foreign-invested exporters who constitute the most dynamic economic sector and the principal growth driver.

Therefore, one would expect the Chinese authorities to continue on their present course, following their slow but steady, selective liberalisation of the capital account. So far this has included the loosening of controls on certain inflows of foreign direct investment, but not all portfolio inflows and few if any capital outflows. This leads to another interesting ambiguity in the current debates over the supposedly “undervalued” Yuan. A completely liberalised capital account could easily provoke net outflows of Yuan into the dollar by mainland Chinese economic actors who are currently not allowed to purchase or invest in foreign currencies. Such a result, easily feasible, would actually

produce a sharp depreciation of the Yuan against the dollar, complicating any assumptions that further currency liberalisation in China will contribute to a reduction in the trade surplus with the US. As it is, last year a number of Chinese economists estimated that between US\$30bn and US\$40bn in illegal capital flows were leaving China every year. At the very least, such considerations cast doubt on the dominant assumption that the Yuan is significantly undervalued, particularly once the speculative inflows come to a halt.

For the US, such Asian behaviour, grounded in this particular perception of Asian imperatives, provides a guarantee, at least for a while, of sufficient external financing for the twin deficits, contributes to lower long-term interest rates, takes pressure off the US administration to reduce the budget deficit, allows for US savings to remain historically low and consumption to remain historically high, and for an imbalanced and vulnerable US growth pattern to be sustained. Such support to US consumption is also of extreme political utility for those running the US administration, as any form of economic slowdown, sparked by a significant dollar decline and realized through higher interest rates, or brought on by a noticeable reduction in the government budget deficit (from lower government spending, a rollback of some tax cuts, or both), would be perceived as politically dangerous for the Bush

administration.

Indeed, Chinese and US leaders both have a short-term political incentive to maintain this pattern of economic and financial arrangements. With it, they might continue to enjoy the rapid growth, strong consumption, and robust employment that in China may prove essential to maintaining a social consensus in favour of the market transition even while the political system remains non-democratic, and that in the US will prove very useful for the Republicans at the next midterm Congressional elections in 2006 and the next Presidential elections in 2008. Advocates of this Bretton Woods II even argue that this arrangement is a constructive mechanism by which the developing periphery (China and Asia) can interact with the developed core (the US) to successfully develop, industrialize and bring hundreds of millions out of poverty. If we assume that there are no binding constraints upon the sustainability of such an implicit arrangement -- beyond the willingness of Chinese authorities to continue to accumulate dollar assets -- these advocates argue that it is likely to continue functioning effectively for a decade or more, at which time there will no longer exist a pressing political or social need to generate 15 million new wage-paying jobs a year in China<sup>19</sup>.

Nevertheless, as long as this so-called Bretton Woods II is maintained, the basic international macroeconomic imbalances upon which it is based will continue to deepen, increasing the risk of a

system-threatening crisis and raising the costs of the ultimate economic adjustment that will ensue when finally this symbiotic relationship breaks down. What is more, the maintenance and magnification of such imbalances (the US current account deficit and overvalued dollar, significant accumulation of dollar reserves in Asia, particularly China, along with undervalued Asian currencies) will likely raise the economic costs that this system imposes, generate political opposition that may threaten to destabilize the Bretton Woods II arrangement long before its advocates foresee, and ultimately increase the severity of the ensuing crisis.

#### *The Inherent Weaknesses of Bretton Woods II*

There are a number of economic and political pressures inherent to this arrangement that threaten to undermine it and magnify the consequences of its demise. First, there is an imminent danger to the world's open trading system. The maintenance of the Yuan peg to a dollar weakening against the other Western currencies cannot fail to contribute further to a still widening US trade deficit with China. Irrespective of the intellectual rigor of the argument, such a situation fuels the perception in the US that unfair Chinese economic practices are causing the US manufacturing base to contract and for US jobs to be eliminated and exported to, of all places, China, as more and more US firms invest or relocate abroad. If the Yuan is perceived in the US to be unfairly

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<sup>19</sup> Originally, Garber, Dooley and Folkerts-Landau argued that this new informal system of fixed exchange rates could be sustained for a generation – until China's agricultural labour surplus was absorbed in a new urban industrial sector. More recently, Garber has suggested that while it will not last forever, it should be sustainable until around 2012.

undervalued, protectionist pressures, already significant, are bound to intensify, threatening the future of meaningful progress on regional trade accords and in the WTO-sponsored multilateral trade negotiations. Furthermore, protectionist pressures are also brewing in Europe, where the Euro has appreciated upwards of 40% against the dollar and the Yuan – and significantly against the rest of Asia’s currencies -- since 2002, bearing the brunt of dollar adjustment in the absence of Asian appreciation. Now the Euro looks set to overshoot, threatening to damage Europe’s manufacturing base over the long run and dampen still further in the short run Europe’s weak export-sensitive growth. Perhaps the world could survive the demise of the current Doha Development Round. Widespread resort to protectionist practices, however, to say nothing of a trade war, could easily bring Bretton Woods II to an end, provoke a dollar crisis and bring on world recession.

Already we are witnessing signs of protectionism in the US. After remaining nearly silent on the Yuan’s exchange rate throughout 2004, Treasury Secretary John Snow has begun to speak of it again, in wake of the recent G7 meeting at which China was warned of the risks of not moving immediately toward a more flexible exchange rate. The US Congress has also continued to move ever closer toward defining China’s exchange rate regime as illegal “currency manipulation,” and imposing extraordinary tariff barriers on

the import of Chinese products. A Senate bill is expected to be voted on by the end of July that would, if passed and confirmed into law, impose a 27.5% tariff on all Chinese goods unless the Yuan is revalued within six months. Furthermore, pressures have emerged for China to engage in voluntary export restraints on textiles, particularly in the wake of the dismantling of the Multifibre agreements as of this year. It is curious that as soon as this trade distorting arrangement was finally scrapped at the insistence of the WTO, the US is now contemplating pushing China into a similar VER commitment, similar to that adopted by Japan with respect to automobiles in the 1980s. Some textile imports have increased by as much as 250% and 80% in the US and EU, respectively, during the first quarter of 2005. China has responded by implementing an export tax on textile imports, but recently has threatened to rescind this tax if the US and Europe continue to move toward implementing new extraordinary tariffs, which they claim are legal under the WTO’s safeguard provision against a “surge” in imports. As a result, and despite the fact that the hourglass continues to run low on the Doha Round, international trade relations have not been as tense in a long time.

Second, continued reserve accumulation increases the risk that overheating will produce a hard landing for the Chinese economy and a recession in Asia, and possibly the world. Reserve accumulation feeds the tendencies – already pronounced



in China -- toward excessive bank lending and exacerbates inflationary pressures. Although China could potentially attempt to sterilize its currency interventions, as it has in the past, it is not clear that China will always have the necessary supply of domestic assets to drain off sufficient liquidity to prevent excessive inflation. While it is true that inflation itself would imply a real appreciation of the Yuan, and a potential correction of the bilateral surplus with the US over the long run, to choose such a strategy risks feeding, and then bursting, the many investment and property market bubbles already destabilizing the Chinese economy. A hard landing would no doubt spill over into a financial crisis in China's fragile banking sector, magnifying the recessionary impact. Given that some two percentage points of the world's 5% growth in 2004 was generated by emerging Asia, an economic crisis in China would be felt the world over. While it appears that China has so far managed to avoid overheating and the hard landing fate, a sustained strategy of maintaining the Yuan peg and accumulating dollars indefinitely into the future could easily upset this equilibrium in the future.

There is also the risk that the other players – who admittedly have secondary roles – in this game will begin to change their supportive behaviour under the inherent pressures of BWII<sup>20</sup>. Dollar reserve holders beyond Northeast Asia – including other Asian countries and the world's energy

exporters – will begin to slow their rate of reserve accumulation or at least begin to diversify their reserves away from the dollar. Indeed, there are already signs that these processes have begun<sup>21</sup>. This would place additional downward pressure on the dollar and begin to reduce the value of dollar reserves, forcing more diversification and further downward pressure. The upshot would be that Europe would begin to experience more protectionist pressures in light of an even stronger Euro and China and Japan, in particular, would be faced with the necessity of accumulating even more dollars. Without the tacit collaboration of these secondary actors, it will become even more difficult and risky for the two key reserve accumulators to continue to support the dollar.

Finally, there is a growing risk that the perceived mutually beneficial Bretton Woods II arrangement – which has taken shape spontaneously as a result of “benign neglect” of the US – transforms into a “balance of financial terror.” This would imply the US continuing to generate the world's consumption upon an increasingly flimsy foundation of foreign debt solely to avoid the Chinese slowdown that would inevitably accompany a drop off in US import demand. It would involve China continuing to accumulate dollar reserves and finance US deficits so as to avoid the likely slowdown that would be induced by the Yuan appreciation that such a halt to reserve accumulation and US deficit

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<sup>20</sup> Indeed, we must remember the current Bretton Woods II arrangement is a purely informal arrangement, a pattern of global economic behaviour that has evolved in an uncoordinated fashion and implies no formal mutual commitments.

<sup>21</sup> See Robert Pringle and Nick Carver (eds), *RBS Reserve Management Trends 2005*, Central Banking Publications, London, 2005.

<sup>22</sup> The term “balance of financial terror” was first used in this context by Lawrence H. Summers, the President of Harvard University and former Secretary of the Treasury in the Third Annual Stavros S. Niarchos Lecture (“The United States and the Global Adjustment Process”) at the Institute for International Economics, Washington, D.C., March 23, 2004.

financing would provoke<sup>22</sup>. Both the US and China would be encouraged to maintain the current patterns of their economic behaviour simply to avoid provoking the economic crisis that such behaviour, at least temporarily, forestalls. This dark side of current US and Chinese policy presents the world with a particularly difficult “exit problem.” Even if protectionism does not break out, or the Chinese economy does not overheat into its own version of an emerging market crisis, the “balance of financial terror” could easily break down into world crisis as a result of its inherently unstable nature. The unhappy fact is that there is no easy, painless way for the main players to exit the Bretton Woods II scenario. Even more worrisome, the longer this “balance” is maintained, the more problematic the eventual exit becomes.

*Potential Landings: What is at Stake?  
What is Necessary?*

As soon as Asian official financing of US deficits ends, the long-awaited correction of the dollar is guaranteed. However, for the US external deficit to be significantly reduced, the dollar will likely need to experience another 15% to 30% real effective depreciation (implying a much greater nominal depreciation against the Yuan, the Yen and the other Asian currencies). Such a steep depreciation – which could be even more severe should the dollar collapse in a speculative, panic-driven overshoot – would likely begin to feed

through to domestic price inflation in the US, placing upward pressure on US interest rates. Interest rates would face further upward pressure as official and private foreign financing of US deficits dried up in the face of increasing capital losses on US assets and declining expected real returns as a result of rising inflation and collapsing growth rates which such an interest rate shock could easily produce<sup>23</sup>. The impact on the world economy would be magnified by the deflationary pressures in Asia implied by stronger exchange rates.

If Asia – particularly China and Japan – would naturally think twice before withdrawing official financing of the US twin deficits, the US faces similar deterrents to pursuing otherwise sensible policy designed to reign in the current account deficit, reduce consumption and increase savings – and subsequently wean the US economy of this new Bretton Woods II dependency. All of the policy options open to the US administration that might lead to such a result (tighter monetary policy or tighter fiscal policy) imply significantly slower US growth, possibly exacerbated by a bursting of the housing market bubble and the increased burden of heavy consumer debt in a higher interest rate environment. On the other hand, because China depends to a large degree on US consumption to fuel its rapid export-led growth, any such US slowdown would reverberate through the world economy via its recessionary impact on China and eventually make US current

<sup>23</sup> A range of estimates have been produced as to the impact on US interest rates should Asian central bank financing of US deficits terminate. The highest estimate is that of Nouriel Roubini and Brad Setser who see US rates rising by at least 200 basis points as a result. See Roubini and Setser, op. cit.

account correction that much more difficult as world demand – already weak everywhere outside North America and Asia -- slumps.

The risk of such a messy exit from Bretton Woods II to flexible rates – a destabilizing breakdown of the “balance of financial terror” -- increases the longer the exit is delayed. This, therefore, increases the importance of preparing for the exit in the meantime while the current scenario is maintained and increases the necessity of brokering a broad international agreement to manage the exit. To be sure, however, the world economy will eventually “exit” from the status quo scenario. Exit via policy coordination at least has the chance to minimize the severity of the correction, while uncontrolled exit increases the likelihood of an uncontrolled and messy adjustment – a hard landing for the world – with unforeseen, if not unimaginable, consequences<sup>24</sup>.

One approach would be to arrange for a new Plaza-like Agreement in which the world’s major regional economies agree to engage in the particular reforms which would produce the desired adjustment effects. Most of the commentators contemplating such a scenario would argue that the US must commit to a significant reduction of its budget deficit, that Europe engage in reforms designed to increase the flexibility of its economy and augment its capacity to increase domestic demand, particularly when it must decline in the US,

and that Asia prepare for more currency flexibility. Indeed, there is at least a broad consensus among economists that this would most likely lead to the optimum global result – even if some sort of slowdown would still prove inevitable, at least for some time.

However, such effective multilateral economic policy coordination has been historically difficult to achieve and, given the current international climate, there is no reason to believe that it would be easier now. Indeed, there are many who believe that such coordination is too utopian to consider and that the results of a failed attempt would be even more damaging than no attempt at all<sup>25</sup>.

Given, then, that most of the players in this game will have to operate largely unilaterally, which economy is in the best position to act unilaterally in a way which would help achieve a more optimum exit from Bretton Woods II? In our view, this would be the US. If the Bush Administration were to unilaterally reduce the budget deficit significantly – ideally by refusing to make the previous tax cuts permanent and by scrapping its Social Security reform as currently conceived – the effect would probably be slower growth in the US which no doubt would provoke slower growth in China and the world. However, this slowdown would occur with far less upward pressure on interest rates than in the alternative scenario in which the US does nothing and a messy exit eventually

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<sup>24</sup> For a discussion of the possible multiple equilibria that an eventual exit from BWII would imply, see Federico Steinberg, “Interdependencia financiera global: equilibrios múltiples en Bretton Woods II” unpublished paper presented at the VII Reunión de Economía Mundial, Complutense University, Madrid, April 2005.

<sup>25</sup> See Samuel Brittan, “A heretical view on the dollar,” *Financial Times*, January 20, 2005.

causes a more severe correction in the context of higher interest rates. The difference between these two scenarios is not so much the severity of the correction which is felt in the developed world, but more the alternative effects on the emerging markets and developing economies which are much more sensitive to higher interest rates. In other words, the bulk of the adjustment caused by a messy exit from BWII will be disproportionately felt by those who always suffer more from world crisis: the vulnerable and the poor.

How will the “balance of financial terror” likely play out? And how might this scenario interact with global geopolitics? These questions remain to be dealt with in a subsequent paper.

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“¿Es sostenible la tasa de crecimiento económico en EE.UU. a pesar del déficit presupuestario y por cuenta corriente?”

Confieso mi preocupación por compartir esta mesa, aunque sea a distancia, con dos ilustres profesores de economía. Siempre les he tenido mucho respeto, especialmente desde que leí la siguiente frase en la Teoría General de John Maynard Keynes sobre la influencia de los economistas en la vida:

“Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Soon or late, it is ideas, not vested interests, which are dangerous for good or evil”

Como hombre práctico que aspiro a ser, sin duda esclavo inconsciente de las ideas de algún economista, propongo dividir mi intervención en tres partes:

1. En primer lugar, haré un breve análisis del pasado reciente de la economía norteamericana, destacando tanto los aspectos positivos como las cuestiones más preocupantes
2. En segundo lugar, intentaré contestar a la pregunta ¿qué cabe esperar del segundo mandato del Presidente Bush en términos de política económica?
3. Finalmente, trataré de analizar cuál está siendo la respuesta del resto del mundo ante la situación económica norteamericana

Empecemos, pues, analizando el pasado reciente de la economía norteamericana y comencemos con los aspectos más positivos. En los últimos dos años de recuperación económica tras la mini-recesión del 2001-2002, la economía norteamericana ha tenido un muy sano ritmo de crecimiento (3% en 2003 y 4.4% en 2004) con baja inflación (2.3% en 2003 y 2.7% en 2004). Esto son buenas noticias para la mayor economía del mundo y, por tanto, para todos.

Poniendo esto en nuestro contexto europeo y mirando algo más atrás, en los últimos siete años, la economía norteamericana ha crecido un 1% más cada año que el conjunto de las economías de los países de la Unión Europea. Prácticamente este mismo crecimiento diferencial (un 0.9%) es el que se ha mantenido entre EE.UU. y la Unión Europea desde 1975.

Este dato llama especialmente la atención ya que la importante “brecha” en términos de PIB per cápita que hay entre EE.UU. y la Unión Europea que es de entorno al 30%, no sólo no se está cerrando sino que se sigue abriendo, si bien a un ritmo inferior al PIB debido al mayor crecimiento de la población de EE.UU.

Entre los economistas europeos, se trata de analizar esta brecha en términos del factor del trabajo, diciendo que “en EE.UU., en términos proporcionales, trabaja más gente que en Europa, más horas y mejor”. Siguiendo este análisis, la brecha del 30% se debe explicar sobre la base de tres factores:

1. Trabaja más gente: En EE.UU., el porcentaje de población activa sobre el total es del 75%, mientras que en la Unión Europea es del 66%. Es importante mencionar que en 1977, la situación era exactamente la contraria.
2. Trabajan más horas: Mientras en la Unión Europea la jornada laboral anual media es de 1604 horas, en EE.UU. es de 1815 horas. Es decir, en Europa dedicamos más tiempo al ocio.
3. Pero además trabajan mejor: La productividad (medida en términos de PIB por hora trabajada) es un 15% más alta en EE.UU. que en la Unión Europea.

Si en los dos primeros factores, los aspectos culturales y demográficos juegan un papel muy importante, desde un punto de vista estrictamente económico resulta especialmente relevante analizar el tercer factor, el diferencial de productividad.

En primer lugar, es importante decir que, mientras la productividad norteamericana ha tenido un crecimiento anual del 2.2% entre 1995 y 2002, la europea ha crecido tan sólo un 1%. Es decir, no sólo trabajan mejor, sino que mejoran más que nosotros. Las razones son complejas pero yo quisiera destacar tres aspectos que entiendo son clave:

1. Escolarización: EE.UU. tiene una mano de obra con 13.3 años de escolarización comparado con 11.1 años de la Unión Europea.
2. Flexibilidad: La mayor flexibilidad de la legislación laboral norteamericana

respecto a la europea permite a las empresas una mayor capacidad de adaptación a los cambios económicos y tecnológicos, consiguiendo la máxima eficiencia en el uso de los recursos humanos.

3. Capacidad de innovación: La inversión en I+D en EE.UU. es del 3% del Producto Interior Bruto, comparado con un 2% en la Unión Europea (es decir, entorno al 50% superior!).

Por tanto, desde esta perspectiva, se podría decir que la economía norteamericana está en un muy buen momento, con crecimientos sostenidos del PIB y de la productividad en un entorno de baja inflación.

Sin embargo, frente a estos aspectos positivos, en los últimos años han surgido en estos últimos cuatro años desequilibrios preocupantes derivados del llamado “déficit triple”: ahorro, cuenta corriente y presupuestario.

Efectivamente, las tasas de ahorro norteamericanas han sufrido una caída drástica en los últimos 10 años, pasando del 6% del PIB en 1993 al 1% en el 2004. Los norteamericanos, por tanto, “se gastan todo lo que trabajan”. Más adelante analizaremos esta caída con más detalle.

En segundo lugar, el déficit por cuenta corriente norteamericano ha alcanzado máximos históricos: si en el 2004 era de entorno a 640 mil millones de dólares (un 5.7% del PIB), se espera que en 2005 alcance los 700 mil millones de dólares,

es decir, casi dos mil millones de dólares al día. Y eso a pesar de la tremenda bajada del dólar de los últimos dos años.

Analizando esta tan extrema situación del déficit por cuenta corriente, el economista Fred Bergsten, en tono algo jocoso, decía recientemente: “Now we know what the miracle of supply side economics was all about: the rest of the world supplies the money!”

Finalmente, en estos últimos cinco años, las cuentas fiscales norteamericanas han pasado del superávit en 1999 y 2000 a un déficit de proporciones históricas: el presupuesto de 2005 estima que se producirá un déficit fiscal de 427 mil millones de dólares, entorno al 4% del PIB.

Se ha hablado mucho del déficit por cuenta corriente y del déficit fiscal, los dos de importancia capital tanto para EE.UU. como para el mundo en general y particularmente para Europa, pero quizá se ha hablado menos de los problemas entorno a la profunda caída del ahorro. Esta caída se debe, fundamentalmente, a la política monetaria tan expansiva de los últimos años. Si bien los bajos tipos de interés bajos han sido útiles para ayudar a la economía a levantar el vuelo, no lo es menos que han tenido algunos efectos muy perniciosos sobre la economía, lo que en términos farmacológicos se llamarían “efectos secundarios”.

Los más importantes sin duda son el importante crecimiento del endeudamiento familiar, la caída del ahorro y la subida de los

precios de la vivienda (se considere o no burbuja, lo cierto es que los precios de la vivienda en EE.UU. han crecido a ritmos mucho más elevados que la inflación: en 2004, por ejemplo, crecieron un 13%, entorno a cinco veces la inflación).

De hecho, el propio Alan Greenspan ha reconocido que “el crecimiento del mercado hipotecarios debido a las bajas tasas de interés es la causa principal de la fuerte disminución del ahorro de las familias y del déficit de la balanza corriente”.

El resultado es una “asset economy”, una economía de activos, que basa el ahorro de los ciudadanos en la revalorización de sus activos no sobre la base de la renta disponible, asumiendo que “el mercado ahorra por nosotros”. En esta economía de activos, la inflación no se produce en los bienes y servicios sino en el precio de los activos. Es, además, una economía con un nivel de endeudamiento familiar muy elevado y muy sensible a las subidas de los tipos de interés. Esto es algo que no es tan distinto de la situación europea y desde luego de la española, con el agravante para España que los préstamos hipotecarios se han realizado a tipos de interés variable!

La otra gran causa del fuerte desequilibrio es la política fiscal del primer mandato del gobierno de Bush. En su origen, la idea se centraba en “starve the beast”, reducir el sector público (es decir, reducir el gasto) reduciendo sus ingresos (los impuestos). Pues se han reducido los impuestos pero los gastos no han hecho más que subir! En



parte por las guerras de Afganistán e Irak y en parte estrictamente por la falta de disciplina fiscal del gobierno y congreso norteamericanos.

Por tanto, y como resumen de este primer punto, podemos decir que aunque el norteamericano medio parece estar confiado en la fortaleza de la economía (“the sure thing”) el modelo de crecimiento se sustenta sobre bases muy débiles, como la fuerte dependencia de la financiación externa, la falta de capacidad de ahorro interno y el elevado endeudamiento familiar, en un momento en el que las autoridades monetarias y fiscales se están viendo obligadas a girar hacia políticas más restrictivas.

Vayamos pues ahora al segundo punto de mi conferencia y tratemos de responder a la pregunta ¿qué cabe esperar del segundo mandato del Presidente Bush en términos de política económica?

Para contestar a esta pregunta, es necesario preguntarse si el gobierno de Bush va a reconocer la situación de fragilidad de la que hemos hablado y de la necesidad de tomar medidas correctoras que para ser exitosas no pueden ser ni tibias ni lentas. Mi primera impresión, desgraciadamente, no es muy optimista.

Desde el punto de vista de la política fiscal, el Presidente Bush ha anunciado recientemente que recortará el déficit a la mitad durante su mandato, un objetivo nada deseñable pero que dejaría a EEUU muy lejos de donde se encontraba al llegar el Presidente Bush. Pero me temo que, ade-

más, no está claro cómo va a conseguir el gobierno norteamericano esta reducción del déficit:

- ✓ Desde el punto de vista de los ingresos, no hay ningún plan de aumento de los impuestos. Se asume que todo el aumento de ingresos vendrá derivado de una mejora en la situación económica.
- ✓ Y desde el punto de vista de los gastos, no se puede ser muy optimista tampoco: no se toca el programa Medicare (2.5% del PIB) por razones políticas y sociales, no se reducen los presupuestos de defensa y la anunciada reforma de la Seguridad Social no tendrá un impacto visible en los presupuestos hasta dentro de muchos años. Por tanto, toda la reducción de gastos se centra en los denominados “gastos discrecionales no militares” que representan ¡menos del 20% del gasto total!

Al final, por tanto, casi la única esperanza para que se produzca la reducción del déficit prevista es el incremento de los ingresos como resultado de un comportamiento expansivo de la economía

Por otro lado, se puede ser más optimista con la política monetaria que ya está llevando a cabo la Reserva Federal. De hecho, se espera que se produzca una subida general del “Fed Funds Rate” (tasa de intervención de la Fed) desde el 2.50% actual hasta un 3.50%-3.75% a finales del 2005, que se acercaría a la tasa neutral, aquella que ni daña ni estimula el crecimiento y que tam-

poco incentiva la creación de burbujas. Es evidente que esta necesaria subida de tipos tiene sus riesgos: podría dañar el crecimiento de la economía frenando el consumo y la inversión, producir una crisis en el sector inmobiliario o incrementar la morosidad bancaria. Por ello, la Fed se enfrenta a un delicado proceso de “fine tuning” de la economía y su capacidad para no dañar la confianza del consumidor y del inversor en este proceso es clave.

En resumen, por tanto, todo apunta a una cierta continuidad de la política fiscal del gobierno Bush acompañada de una política monetaria más restrictiva. Esta combinación debería tener como resultado una corrección muy lenta de los desequilibrios que amenazan la estabilidad de la economía norteamericana y, por tanto, mantendría la incertidumbre sobre elementos claves de la economía mundial como el nivel del dólar. El crecimiento a corto plazo se deberá sostener a las tasas de los últimos años, si bien se está empezando a producir una reducción en los niveles de crecimiento de la productividad (un 0.8% en el último trimestre del 2004) y un crecimiento del empleo que no acaba de tener la fuerza de otras fases expansivas de la economía, una combinación que debería sin duda ser un factor de preocupación muy importante para la administración de Bush. Para acabar mi exposición, trataré brevemente sobre la actitud del resto del mundo ante la situación económica norteamericana.

Empecemos con la relación comercial entre EE.UU. y China y Japón. Se ha hablado mucho de que la balanza por cuenta corriente de EEUU mejoraría sustancialmente si China dejara reevaluar su moneda. Si fuera así, parafraseando a John Connolly, Secretario del Tesoro a principios de los años setenta, el Tesoro norteamericano podría decir que “el renmimbi puede ser su moneda pero es nuestro problema”<sup>26</sup>. Pero la realidad es más compleja. China sólo representa el 10% del comercio exterior de EE.UU., a pesar de que el déficit comercial con China es superior a los ciento sesenta mil millones de dólares al año. A su vez, China y Japón, son los dos mayores inversores extranjeros en bonos del Tesoro de EE.UU., siendo tenedores entre los dos de bonos por valor de más de 900 mil millones de dólares. Por tanto, se crea un círculo virtuoso (¡al menos desde el punto de vista asiático!) mediante el cual la inversión asiática en EE.UU. permite que los tipos de interés norteamericanos se mantengan bajos, ayudando a que el consumo norteamericano siga siendo fuerte, lo que redundaría en una mayor compra de productos de sus propios países y, por tanto, en un aumento del déficit comercial con EE.UU. Además, para China una revaluación del renmimbi respecto al dólar tendría un impacto negativo en cuanto a su balanza comercial con el resto de los países asiáticos (con los que tiene un superávit anual muy pequeño y reduciéndose).

En el fondo, sin embargo, la gran cuestión que nos mantiene a todos un poco en vilo es

<sup>26</sup> La frase original “the dollar may be our currency but it is your problem” la hizo dirigiéndose a los países europeos y Japón en el contexto de la caída del dólar de principio de los años setenta.

saber hasta cuándo van a continuar el resto de los países del mundo financiando los excesos de la economía norteamericana (incluyendo significativamente a los países asiáticos) ya que no tienen visos de arreglarse a corto plazo. Recordemos que lo que el mundo está financiando ahora es casi dos mil millones de dólares diarios necesarios del déficit de la balanza de pagos corriente, a lo que habría que añadir el importe de la inversión extranjera directa norteamericana en el resto del mundo (entorno a 150 mil millones de dólares netos al año). Para añadir leña al fuego, el mantenimiento del precio del barril de petróleo entorno a los 50 dólares supondría incrementar en casi cincuenta mil millones de dólares al año el déficit comercial.

A pesar de la magnitud del problema o quizá probablemente por ello, en mi opinión, el mundo continua más que dispuesto a seguir financiando estos desequilibrios mientras pueda, fundamentalmente por propio interés. Durante estos últimos tres años, los bancos centrales asiáticos han sido los grandes proveedores de financiación al Tesoro norteamericano y han visto más que recompensada su actuación via el círculo virtuoso que antes hemos mencionado. Sin embargo, el previsible crecimiento de las necesidades de financiación norteamericanas a lo largo de los próximos años obligarán a los bancos centrales asiáticos a incrementar sus reservas en dólares a un ritmo de mil millones al día durante los próximos cuatro años, un ritmo difícilmente sostenible en un entorno de sostenida debilidad del dólar, y que probablemente exigiría subidas

de los tipos de interés más intensas de lo previsto por la Reserva Federal.

Por tanto, y como conclusión, aunque el resto del mundo está más que dispuesto a seguir financiando los desequilibrios de la economía norteamericana, mi opinión es que la administración de Bush debe enfrentarse al problema con más contundencia y tratar de reducir el déficit fiscal más intensamente y más rápidamente de lo que todo indica que tiene previsto hacer, yendo de la mano de la Reserva Federal que sí parece haberse tomado en serio el problema.

Me temo, sin embargo, que no será fácil que la administración tome esta senda mientras los crecimientos económicos sigan siendo tan favorables como los de los últimos años y sigan enmascarando los problemas estructurales de fondo.

# PETER BERKOWITZ

## “Liberalism, Morals, and the Supreme Law of the Land”

### I. INTRODUCTION

In the United States, constitutional law serves as a critical battleground in the struggle over freedom’s moral and political meaning. The Bush administration’s conservative views on abortion, affirmative action, and same sex marriage can be better understood when the debate over them is placed in the context of American constitutional law. Today I want to provide some of that context. And bring some good news. Freedom is strong in America. Rights are protected. And a lively debate is taking place about freedom’s material and moral preconditions.

By design, the American Constitution is the supreme law of the land. Because it is a liberal constitution, one whose first purpose is to protect individual freedom, the supreme law of the land avoids taking a stand on the supreme, or most fundamental issues. For example, the Constitution does not aim to instruct people on the proper catalogue of virtues, on the content of happiness, or on the path to salvation. That’s not because the Constitution supposes that virtue is irrelevant, that happiness has no content, or that faith in salvation is a snare and a delusion. Rather, the Constitution establishes a framework within which each has the liberty to pursue virtue, happiness, and salvation consistent with a like liberty for others.

This constitutional framework consists of the enumeration of government powers and the elaboration of individual rights. It

establishes minimum requirements and imposes outer boundaries on state action and personal conduct. In largely leaves substantive judgments about morals and policy to individuals and democratic politics.

Accordingly, to say of some law or action or institution that it is constitutional is not very high praise. For the Constitution permits much that is foolish, vulgar, or degrading. Yet the enshrinement in the supreme law of the land of the scope of individual freedom—minimum requirements and outer boundaries—has consequences. It colors and give direction to the moral life. Indeed, by proclaiming, backed by the coercive power of the state, what is forbidden, what is permitted, and what is required, the Constitution generates comprehensive background conditions for, and sets a tone that reverberates throughout, all spheres of life.

Most of the cases the Supreme Court hears are technical. Of those that, because of the morally and politically fraught issues at stake, do capture the public’s attention, a majority arise under the 14th Amendment. And the most morally and politically fraught of these concern abortion, which involves a contest over the interpretation of the 14th Amendment’s Due Process Clause, and affirmative action, which involves a contest over the interpretation of the 14th Amendment’s Equal Protection Clause. In the not too distant future, same sex marriage may come before the Court; if it does, it is likely to involve a contest over

the interpretation of both clauses. The due process clause provides that no state “shall deprive any person of life, liberty, or property, without due process of law.” The equal protection clause declares that no state shall “deny to any person within its jurisdiction the equal protection of the laws.” The original and overriding purpose of both was to make the federal government responsible for protecting the rights of blacks against infringement by state governments. But the 14th Amendment dealt with the challenge by reaffirming universal guarantees implicit in the original Constitution. And by making the federal government responsible for ensuring compliance by the states with those universal guarantees.

What precisely is the content of those guarantees? In deciding, Supreme Court justices have had no alternative but to fall back on their opinions, both considered and inarticulate, about the core meaning of freedom and equality. And thus, through its decisions, the Court has taken sides on, and enshrined in the supreme law of the land, answers, or at least sizeable fragments of answers, to some of the great moral questions of the day.

## II. ABORTION AND THE DUE PROCESS CLAUSE

First abortion. Since the Supreme Court’s landmark 1973 decision in *Roe v. Wade*, the public debate over abortion has been full of sound and fury. Movement leaders on both

sides see their own positions as morally unassailable, and accuse the other side of terrible crimes. Yet the nation seems quietly to have reached a settlement. A solid consensus—in public opinion and embodied in the Court’s key decisions—has emerged.

The consensus affirms that abortion is a complicated moral choice, involving two goods, the autonomy of the woman and the life of the fetus or unborn child. Early on in a pregnancy that choice is best left to the woman and those whom she loves and trusts and chooses to consult. As the pregnancy advances, the choice is increasingly subject to state regulation to protect the developing life of the fetus or unborn child.

The consensus reflects imperatives arising from our ideas about freedom. Both pro-choicers and pro-lifers are emphatically pro-personal freedom. Proponents of a woman’s right to terminate her pregnancy defend the personal freedom of women, in the form of women’s interest in maintaining control over their bodies and their lives. Woman can enjoy neither freedom to live their lives as they see fit nor equality in the marketplace and politics, pro-choicers argue, if they must bear the burden of an unwanted pregnancy.

But conservative opponents of abortion—and this is important!—also invoke personal freedom. They emphasize the rights of the unborn child who, they contend, is a person in the morally relevant sense, and whose right to life, they

maintain, supersedes a mother's liberty interest in controlling her body and determining the shape of her future. Alternatively, conservatives invoke the freedom connected to self-government. Here they argue that Supreme Court, with no foundation—textual, structural, historical—in the Constitution, have fashioned abortion rights, thereby imperiously deciding a moral question that the Constitution leaves to the free choice of the people. Powerful conservative voices do oppose abortion on religious grounds, out of belief that the unborn child is an embodied soul, that is, the human embryo, even in its earliest stages of development, is already a unique human being. But when they become activists and participants in the public debate, the pronounced tendency of conservative opponents of abortion is to make their case in the language of freedom and not religion.

Moreover, both parties to the debate show that in practice—at least in other contexts—they do respect the other side's principle and embrace it as their own. For example, in their opposition to the death penalty, pro-choicers proclaim their respect for human life and their unwillingness to permit the state, even in response to monstrous crimes, to extinguish it. And pro-lifers demonstrate their respect for the principle of choice in their commitment to limited government, an essential purpose of which is to preserve for individuals the decisions about the matters that mean most to them.

Roe v. Wade captured something of the complexity of the moral challenge posed by abortion. The Court held that within limits the Constitution protects a woman's right to terminate her pregnancy. Though the legal reasoning in the case has been subject to severe criticism—even by law professors who support abortion rights—the underlying moral reasoning has carried the day. According to the Court, the claims of women's autonomy prevail during the first trimester, in which she may terminate her pregnancy at will. In the second trimester, the state's interest in the life of the developing fetus or unborn child is sufficient to justify reasonable restrictions. And in the third trimester, as the fetus or unborn child became viable outside the mother's womb, the state's interest in protecting its life can take clear precedence over the mother's wishes.

This reasoning suggests, first, that in a crucial respect the fetus or unborn child is a member of the human family and so endowed with rights. Second, that the fetus or unborn child is different in morally relevant ways so that early on its development the rights of the mother prevail over its. And, third, the further the fetus or unborn child develops, the more the morally relevant differences between it, or he or she, and a person fade.

What needs to be emphasized is this: Although it has been modified by subsequent decisions, the Roe framework, and the profound moral ambivalences to which it gives expression, still define the

constitutional settlement. President Bush may have the opportunity to nominate as many as three justices to the Supreme Court this year. I doubt very much that his choices will result in the Court overturning *Roe*. But keep in mind that if *Roe* is overturned, women are not thereby denied the right to get abortions. The question would revert to the states. And my guess is that the vast majority of states will uphold that right.

### III. AFFIRMATIVE ACTION AND THE EQUAL PROTECTION CLAUSE

In June 2003, the Supreme Court struck down the University of Michigan’s undergraduate affirmative action program in *Gratz v. Bollinger*, while upholding in *Grutter v. Bollinger* its law school’s affirmative action program. Progressive proponents of affirmative action could be pleased: the Court held that the promotion of diversity was a goal of such overriding importance that it justified a university taking race into account, as one among a variety of other relevant considerations, in selecting students. Conservative opponents of affirmative action could take solace. The Court reaffirmed that quotas based on race were unconstitutional. Yet in striking a balance, the Court in fact tilted notably in favor of the progressive interpretation of liberalism.

Interestingly, the cases provoked little outrage. To be sure, taken together the cases amounted to a victory for proponents

of affirmative action. As long as universities were prepared to invest the time and energy that more individualized review of applicants would require, few would be prevented by the Court’s ruling from achieving the kind of diversity in admissions they sought. But what explains conservatives’ moderation?

In part, it is because the public is closely divided on the question of affirmative action. But the particular character of the public divide is also important: the divide is not only between opponents and proponents of affirmative action but within opponents and proponents. Many conservative opponents of affirmative action accept that the massive injustices inflicted upon blacks by the American people—slavery, Jim Crow, private racial animus—create some sort of public obligation to remedy the effects of past and present discrimination. At the same time, many progressive proponents of affirmative action recognize the potential for race-based policies to polarize the public, perpetuate racial stereotypes, and sanction unequal treatment under the law.

As in the case of abortion, the key alternatives in the debate over affirmative action flow easily from liberalism’s fundamental premise, equality in freedom. Which both sides share.

Typically, proponents of affirmative action argue that the state must take race into account in admissions in order to create a university community that reaps diversity’s benefits. They draw upon a powerful moral

conviction: equality in freedom is an achievement that in practice depends upon the state's lifting up those who have been trampled down by discriminatory state action, or who have fallen so far behind that they cannot catch up without benevolent government programs. Yet when critics argue that university admissions should be color blind, they too draw upon a powerful liberal conviction: that equality in freedom means that one should be judged as an individual and not as a member of a group defined by morally irrelevant features such as skin color.

The problem in *Grutter* is that while pretending to apply its precedents and principles faithfully, the Court deviated dramatically from them. To take one example, in establishing diversity as a compelling state interest, the Court utterly abandoned its concern that classifying individuals on the basis of race would reinforce pernicious stereotypes. Instead, the Court said it was proper, indeed served a compelling state interest, for universities to treat black skin as a proxy for a certain set of experiences and a distinctive set of opinions about the world.

Strained reasoning suggests the suppression of tensions. And the majority's legal reasoning in *Grutter* is embarrassingly strained. So why did it carry the day? One big factor is the powerful appeal across the political divide of the progressive interpretation of liberal principles, which calls for interpreting the equal protection of the laws as to require government to take

steps to promote policies that create a more inclusive society. And there is no good reason to suppose that a majority will arise that will reverse this trend.

#### IV. SAME SEX MARRIAGE AND THE INELUCTABLE LOGIC OF THE 14TH AMENDMENT

The Supreme Court has not yet ruled on same sex marriage. No cases on the question have come before it, and none as yet are wending their way through the federal courts. If a challenge makes it through, the Court may well strike down the restriction of marriage to a man and a woman and do so for reasons similar to those given by the Massachusetts Supreme Court in November 2003, and those given in *Lawrence v. Texas*, in which the US Supreme Court struck down, on due process grounds, the state's law criminalizing homosexual sodomy. The problem is not that conservatives lack a respectable case against same sex marriage. They lack a respectable constitutional case.

The best conservative case against same sex marriage goes like this. Marriage has long been at risk and is the most vital institution in society for the formation of character in children, and the transmission of values to the next generation. By separating marriage from parenting, and by implicitly rejecting the idea of the natural complementarity of the sexes, same sex marriage will further undermine the institution of marriage



Conservatives may well be right about the consequences of same sex marriage. And yet, as conservatives hardly need to be reminded, there are always countervailing considerations. One such consideration is the mistake of treating the Constitution, the supreme law of the land, as an instrument of social policy rather than the framework within which we debate social policy. Another is the natural momentum in America’s diverse society of the arguments, rooted in the freedom to choose and equality before the law, for conferring upon all, including gays and lesbians, “the protections, benefits, and obligations of civil marriage.” But there is another, closely related but less obvious consideration: the law generally does not prohibit practices on the grounds that they harm marriage, especially if the practice can be seen as enhancing equality in freedom.

Consider the variety of practices which, conservatives have persuasively argued, do put pressure on marriage, but which by and large conservatives properly do not seek to prohibit. They include the birth control pill, premarital sex, no fault divorce, and the entry on an equal footing of women into the workplace. Now, suppose you are unwilling to support legislation to prohibit these practices because of the cost to individual freedom—an unwillingness many conservatives share. How in good faith can you single out same sex marriage for legal prohibition?

One answer is that in contrast to the aforementioned practices, same sex marriage does involve formal state approval, either symbolically or through the conferring of financial benefits. The others call only for the state to mind its own business.

In fact, in minding its own business in regard to all other aspects of intimate relations, the state makes a powerful statement of moral and political principle: the organization of intimate relations is a matter of personal choice. Now that bigotry against gays and lesbians is on the run, express legal liabilities have been lifted (with the notable exception of the military’s don’t ask, don’t tell policy), popular culture has increasingly embraced homosexuals, and the question of same sex marriage has been brought out into the open and into focus by vigorous public debate, the admittedly speculative harms critics associate with same sex marriage will, in more and more people’s minds, be outweighed by the rock solid principle of respect for individual choice. Particularly in matters relating to love and the family. Especially between consenting adults where physical harm is not an issue. While majorities in the United States may not yet be ready for same sex marriage, larger majorities will oppose legislation that smacks of anti-gay animus. I believe this describes the President’s general orientation.

In short, because of the force of arguments about individual freedom and equality

before the law in a free society, other state legislatures will likely sooner rather than later do on their own what the Massachusetts legislature is doing under the compulsion of its highest court. They will answer those policy questions in favor of granting gays the protections, benefits, and obligations of civil marriage. And the federal government lacks both the arguments and the will to resist.

## V. CONCLUSION

In sum: The language of freedom remains the coin of the realm in American moral and political life. All of the great moral questions of the day eventually get translated into its terms. The Supreme Court's interpretation of the requirements of due process and of the equal protection of the laws in regard to abortion, affirmative action, and soon same sex marriage have a liberal warrant. They also provoke liberal anxieties.

Of course, to repeat what was observed at the outset, to say that a practice is constitutional is not the last word on the subject. It is part of the wisdom of the American Constitution to give us wide scope to examine the social costs of progress in freedom. The blessings of freedom cannot be conserved without attending to them.



“Valores de familia vs. liberalismo”.

La pregunta planteada en esta ponencia es si en los Estados Unidos van a haber cambios importantes en las políticas públicas sobre temas de familia --como el aborto, los matrimonios homosexuales y temas parecidos-- durante el segundo mandato presidencial de George W. Bush iniciado en 2005. Mi respuesta es que muy probablemente no habrá tales cambios, pese a las imputaciones que suelen oírse a este lado del Atlántico sobre el supuesto fundamentalismo religioso y las posiciones extremadamente conservadoras de la administración Bush.

LA FORMACIÓN DE LA AGENDA POLÍTICA

Para abordar el tema concreto de los valores familiares y morales, es conveniente presentar brevemente un esquema de análisis sobre la formación y el cambio de las políticas públicas. Hay en la sociedad americana, como en todas las sociedades complejas, un número altísimo de temas potencialmente politizables que afectan a las actividades económicas, sociales, culturales, internacionales y de todo tipo de los miembros de esa sociedad. Algunos de estos temas se convierten de vez en cuando en temas políticos porque surge una nueva propuesta de política pública diferente de la establecida, es decir, de lo que suele llamarse status-quo. Esta propuesta puede ser diseñada por un académico, una organización de investigación, un grupo de interés, un político o un partido. Los partidos políticos y los candidatos electorales ‘politizan’ y dan relieve a ciertos

temas --como el que nos ocupa-- cuando hablan de ellos, subrayan su importancia, argumentan acerca de las ventajas de la nueva propuesta política o señalan su consistencia con ciertos valores.

En algún momento puede ocurrir que la nueva propuesta se convierta en ley o en política pública del gobierno. Su desempeño será juzgado por su grado de correspondencia con las expectativas para ser considerada un éxito o un fracaso. Pero lo interesante es que en ambos casos el tema en cuestión tenderá a desaparecer de la agenda política y el debate público. Si la nueva política pública es un éxito, en el sentido de que cumple con las expectativas y obtiene un apoyo mayoritario, los demás partidos tenderán a adaptarse y hacerla suya. Si es un fracaso, en el sentido de que produce consecuencias inesperadas y no-deseadas y sus resultados son juzgados negativamente por una mayoría, se tenderá a dejar de hablar de ella. Así pues, con el transcurso del tiempo, en un alto número de temas en los que en algún momento ha habido debate y controversia en relación con propuestas alternativas de políticas públicas, se acaba formando un amplio consenso. En la historia reciente de Estados Unidos, esto ha ocurrido con temas raciales, fiscales, de seguridad, etcétera, en los que a veces los republicanos se han acabado adaptando a políticas innovadoras surgidas inicialmente de las filas demócratas y otras veces a la inversa.

A corto plazo, por ejemplo en una campaña electoral, cada partido o candidato intenta

dar relieve a aquellos temas en los que puede esperar un amplio apoyo popular. A largo plazo, sin embargo, el debate público cambia de un tema a otro, en gran parte por las razones estratégicas aquí esbozadas. En cada momento, el debate es más intenso en aquellos temas en los que no existe (todavía) una política claramente ganadora y consensual, como ocurre actualmente en el tema de valores familiares. (Este esquema de análisis se basa en el modelo inicialmente presentado por Riker 1994).

En unas elecciones, el debate político en Estados Unidos gira, pues, alrededor de distintos temas. En primer lugar, el partido del presidente, especialmente si éste se presenta a la reelección, subraya sus resultados en el gobierno, incluyendo en particular el desempeño de la economía. Hay, en segundo lugar, algunos temas preferidos por cada partido; así, los republicanos hablan más sobre defensa, seguridad e impuestos, mientras que los demócratas hablan más sobre sanidad, educación y derechos civiles, pero en muchos de estos temas no hay una gran confrontación, sino más bien consenso. Finalmente, existen temas como las llamadas “guerras culturales”, que se refieren a la defensa de los valores familiares frente al llamado ‘liberalismo’, en los que se enfrentan propuestas políticas muy diferenciadas, como se analizará aquí.

## LOS TEMAS DE CAMPAÑA

En la campaña para la elección presidencial y congresual de 2 de noviembre de 2004, hubo unos pocos temas que concentraron los mensajes de los candidatos y los dos grandes partidos y atrajeron la atención de la mayor parte de los ciudadanos. Por citar sólo una fuente, que coincide a grandes líneas con otros muchos sondeos, una encuesta diaria realizada durante más de tres meses por The Washington Post y ABC News a más de 4.000 personas en la que se preguntaba a los ciudadanos sobre los temas más relevantes en la elección dio este resultado. El ‘Terrorismo’ y la ‘Guerra en Irak’ fueron citados, en conjunto, como los temas más importantes por algo más de un 40 por ciento de los encuestados; la ‘Economía’ y el ‘Empleo’, por algo más de un 20 por ciento; la ‘Educación’ y la ‘Sanidad’, por alrededor de un 15 por ciento entre los dos; y se incluyó una categoría residual de ‘Otros’, sin especificar, cuya relevancia fue aumentando desde un 12 hasta un 21 por ciento durante la campaña. (Véase la serie completa en Elections 2004).

La mayor encuesta a salida de urna llevada a cabo el día de la elección por encargo de las principales cadenas de televisión entre 13.000 personas, dio resultados muy parecidos (Edison/Mitofsky 2004). El ‘Terrorismo’ y la ‘Guerra en Irak’ fueron citados como los temas más relevantes por un 34 por ciento de los encuestados; la ‘Economía’ y el ‘Empleo’, por un 20 por ciento; y la ‘Educación’ y la ‘Sanidad’, por

un 12 por ciento. La mayor novedad fue que en la pregunta de esta encuesta se incluyó un tema nuevo que no había sido mencionado en ninguna encuesta preelectoral: los ‘Valores morales’, el cual fue elegido como el más relevante por un 22 por ciento de los encuestados, concentrados sobre todo en algunos estados del Medio Oeste y del Sur. Presumiblemente, hubo una alta correlación entre esta respuesta y los ‘Otros’ temas incluidos en las encuestas anteriores, pero la ambigüedad del enunciado ‘Valores morales’ hace difícil precisar en qué temas de políticas públicas pensaban los encuestados que eligieron esta opción. Hubo, a partir de la elección, pero no antes, y en particular en Europa, un amplio debate sobre la importancia que habían tenido los valores morales conservadores en la victoria electoral de George W. Bush. En el resto de esta ponencia se mostrará que no hay bases sólidas para atribuir a este tema una importancia decisiva en el resultado de la elección ni para pronosticar que vaya a ser objeto de grandes innovaciones políticas y legislativas en los próximos años. (Sobre la campaña electoral y la elección, véase Colomer 2004).

#### UN ELECTORADO MODERADO

Un reciente estudio dirigido por el politólogo Morris P. Fiorina (2005) muestra que la polarización de los dos grandes partidos en los temas morales no corresponde a las preferencias de los electores, las cuales son muy moderadas.

El título mismo del trabajo presenta la cuestión ‘¿Guerra cultural?’ como ‘El mito de una América polarizada’. (La larga controversia sobre las “guerras culturales” en la opinión pública americana empezó con el libro de Hunter, 1991).

Según los datos recopilados en el trabajo de Fiorina, si se pide a los ciudadanos que se auto-ubiquen en una escala 1-7 en la que 1 indica máximo liberalismo y 7, máximo conservadurismo, se obtiene una distribución con una moda mayor (que agrupa a casi un tercio de los encuestados) justo en el centro, el valor 4, y valores ínfimos en los extremos 1 y 7 (aunque con una segunda moda con un quinto de encuestados en el valor 6). En cambio, si se pide a los ciudadanos que sitúen en el mismo eje a los partidos, se obtiene una visión muy polarizada de la competencia política. Alrededor de la mitad de los encuestados sitúa al partido demócrata en una posición muy liberal, el valor 2, y al partido republicano en una posición muy conservadora, el valor 6, con valores descendentes para posiciones cada vez más alejadas de éstas.

Parece existir, pues, un electorado moderado y unos partidos muy polarizados en el eje liberalismo-conservadurismo, el cual se basa sobre todo en el tema de los valores familiares. Las dos distribuciones, de las auto-ubicaciones de los ciudadanos y de su visión de los partidos, son extremadamente coincidentes para los encuestados en los estados llamados ‘azules’, en los que hay una mayoría demócrata, y en los estados llamados

‘rojos’, con una mayoría republicana. Esto indica que no existe una polarización entre electores de distintos estados. Tanto los ciudadanos que votan a los demócratas como los que votan a los republicanos son, en un inmensa mayor parte, moderados (con valores 3 a 5 en la escala 1-7) y ambos grupos ven de un modo casi idéntico a los dos partidos en posiciones polarizadas y alejadas de su propia auto-ubicación.

La imagen de estados ‘azules’ y ‘rojos’ es un producto muy deformado del sistema electoral, especialmente del sistema de elección del Colegio Electoral presidencial por el cual (en casi todos los estados) todos los electores de un estado se decantan por uno de los candidatos por la regla de la mayoría relativa. Si se observa, en cambio, el resultado de las elecciones a la Cámara de Representantes, que tienen lugar al mismo tiempo que la elección presidencial, pero en 435 distritos pequeños, se comprueba que hay muy variadas mayorías demócratas y republicanas a nivel de distrito en todos los estados.

La hipótesis de una ciudadanía polarizada es también, en parte, un resultado de los métodos de diseño y análisis de ciertas encuestas. Cuando los ciudadanos son preguntados acerca de sus preferencias con respecto a las posiciones de los partidos o candidatos, se suele suponer que la preferencia del ciudadano coincide con la posición del partido al que vota. Sin embargo, las posiciones de los partidos son mucho más móviles que las preferencias de los ciudadanos en muchos temas políticos,

especialmente en aquellos en los que no hay un amplio consenso social. De hecho, los partidos no siguen a los votantes, sino que imponen sus agendas al electorado. Cuando los partidos mantienen posiciones distantes en un tema, parece que los votantes den más importancia a ese tema porque tienen que elegir entre alternativas distantes, aunque no hayan modificado su preferencia en el tema.

La disociación entre las posiciones de los partidos y las preferencias de los ciudadanos también puede observarse en temas con características opuestas a las mencionadas. Es verosímil, por ejemplo, que la polarización racial entre una gran parte de los ciudadanos se mantenga alta, en el sentido de preferir interlocutores, vecinos y compañeros de trabajo y de ocio del mismo grupo étnico. Pero el tema racial no es actualmente relevante en las campañas electorales porque, tras un largo periodo con graves conflictos, fue objeto de un gran compromiso político a escala nacional a mediados de la década de 1960 y ningún partido o candidato destacado pretende hoy modificar el status-quo. En algunos temas puede haber, pues, polarización social latente y consenso político, como puede ser el caso de las relaciones raciales, mientras que en otros temas hay amplio consenso social y polarización política inducida sobre todo por los líderes políticos, como en los de familia y sexo.

Otra fuente de malentendido es la persistencia de resultados electorales muy

cercanos a un empate 50:50 (como en las elecciones presidenciales de 2000 y 2004). Un resultado de este tipo puede ser producido por una sociedad polarizada con dos grupos de ciudadanos distantes de semejante tamaño. Sin embargo, si la sociedad es moderada y consensual, es decir, con una sola gran moda hacia el centro, pero sólo hay dos partidos viables (debido a las restricciones del sistema institucional y electoral) y estos dos partidos se presentan con posiciones muy polarizadas, los electores moderados y centristas tienen que elegir el partido menos distante, aunque esté relativamente lejano de su preferencia, lo cual también puede producir un resultado cercano al empate 50:50. Éste parece ser el caso en los Estados Unidos de hoy.

En la competencia electoral, los partidos y candidatos confeccionan la agenda con temas divisivos en los que los ciudadanos tienen que elegir. Precisamente porque hay mucho consenso político y social en muchos temas potencialmente politizables, los partidos, los activistas y los candidatos exageran las diferencias y se concentran en aquellos temas en los que no existe consenso. Algunos datos recientes indican que el número de votantes polarizados ha aumentado ligeramente en los temas morales y familiares, pero todavía una amplia mayoría se muestra a favor de compromisos ‘centristas’. Es posible que, en el tema moral-familiar, la moderación y el centrismo indiquen que muchos electores están indecisos ante dos propuestas enfrentadas, por lo que la distribución de

preferencias podría cambiar en el futuro, es decir, una parte significativa de los votantes podría seguir a los partidos. Pero, en todo caso, este decantamiento potencial, que podría producir un nuevo consenso en torno a una posición que actualmente se considere extrema, bien ‘liberal’, bien ‘conservadora’, no existe en el día de hoy.

#### EL TEMA MORAL-FAMILIAR

Veamos más concretamente la encuesta de salida 2004 antes mencionada. A nivel general, un 45 por ciento de los encuestados se declaró ‘moderado’, mientras que sólo un 21 por ciento se declaró ‘liberal’ y un 34 por ciento, ‘conservador’. En temas más concretos, los resultados son los siguientes. Sobre el aborto, un 34 por ciento de los encuestados se declaró a favor de mantenerlo ‘legal en la mayoría de los casos’, posición que corresponde al status-quo o política vigente en la gran mayor parte de los estados. Frente a ellos, una minoría del 21 por ciento quería que fuera ‘siempre legal’ (aunque parece difícil interpretar esto como un proyecto legislativo), mientras que otra minoría de un 42 por ciento quería que fuera ‘ilegal en la mayoría de los casos’ o ‘siempre ilegal’ (26 y 16 por ciento, respectivamente). No existe, pues, en este tema, una mayoría alternativa al status-quo dispuesta a apoyar un cambio significativo de política, ni en una dirección más liberal ni en una dirección más conservadora.

Algo parecido ocurre con la política hacia las parejas del mismo sexo. Un 35 por



ciento se declaró partidario de las llamadas ‘uniones civiles’, es decir, el status legal de las parejas homosexuales en la inmensa mayor parte de los estados. Frente a ellos, una minoría del 25 por ciento querría la legalización del matrimonio (la cual comportaría el derecho a la adopción de niños) y otra minoría alternativa del 37 por ciento preferiría que no hubiera ningún reconocimiento legal de las parejas del mismo sexo. Tampoco hay, por tanto, en este tema una mayoría dispuesta a apoyar una política alternativa al status-quo, ni en una dirección más liberal ni en una más conservadora en la mayor parte de los estados.

Las regulaciones actuales en los temas mencionados, aborto y parejas homosexuales, son relativamente liberales en comparación con el status-quo existente en la mayor parte de los estados en Estados Unidos hace unos pocos decenios y, en comparación con muchos países de Europa, más liberales o más antiguas. Estos temas y otros parecidos son ahora objeto de nuevos debates y propuestas porque, de hecho, están vinculados a relaciones más complejas entre ciertas políticas sociales y ciertas libertades individuales que pueden necesitar alguna revisión importante en un futuro no muy lejano. En general, la posición más ‘liberal’ favorece la máxima libertad individual en temas de familia y sexo, es decir, la libertad sexual individual a costa de la estabilidad de la estructura familiar tradicional, pero va acompañada por la defensa de una red de protección y seguridad alternativa a la familia,

organizada y mantenida a través de una serie de políticas sociales financiadas vía impuestos o cotizaciones obligatorias. Por el contrario, la defensa moral y la protección legal de la familia según un modelo tradicional comporta su confirmación como una red principal de apoyo y protección de los individuos, aunque pueda implicar una reducción de las libertades de éstos en las relaciones sexuales.

La cuestión es que las políticas sociales conocidas en Estados Unidos como ‘liberales’ (porque se iniciaron durante la presidencia del demócrata liberal Franklin D. Roosevelt en el decenio de 1930) y en Europa como ‘estado del bienestar’ se enfrentan a fuertes desafíos financieros que ponen en cuestión su viabilidad a medio o largo plazo. Esta encrucijada crea nuevas oportunidades para reabrir el debate sobre temas de familia y sexo y hace difícil predecir su desenlace político. Quizá como un prólogo a esta discusión, el ex-presidente demócrata Bill Clinton declaró casi inmediatamente después de la elección que el candidato John Kerry perdió porque muchos americanos ven a los demócratas como “alienígenas” en estos temas. El partido demócrata, según el sureño Clinton, ha dispatado al no querer entablar conversación con los americanos de tierra adentro sobre la religión y los valores morales. En contra de su propia tradición moralista de defensa de los derechos civiles desde los años cincuenta y sesenta, los demócratas han hecho pensar a mucha gente que están “en contra de la fe, la familia y la moralidad, que no creen en la

moral del esfuerzo y la libertad”, lo cual ha sido fatal para el partido, según el ex-presidente, y ha creado la impresión equivocada de que hay una decantación fundamentalista en el conjunto del electorado. (Pickard y Yeager, 6 de noviembre de 2004).

#### IRRELEVANCIA ELECTORAL

El análisis de los votos y los temas considerados importantes en la encuesta de salida mencionada indica que el tema más influyente en la elección presidencial de noviembre de 2004 fue el terrorismo. Hay una altísima correlación positiva entre la proporción de encuestados que declararon que el terrorismo era el tema más importante de la elección y el voto al candidato republicano Bush. Esta correlación pudo quedar ocultada por algunos efectos del sistema electoral, que, como ya se ha señalado, sólo produce un único ganador absoluto en cada estado. Pero en los estados donde una mayor proporción de encuestados señaló el terrorismo como el tema más relevante de la elección (encabezados por New York y Maryland, los escenarios de los traumáticos ataques terroristas del 11 de septiembre de 2001), se registraron los mayores aumentos de voto a Bush en comparación con las elecciones de 2000 (aunque en los dos estados mencionados, por ejemplo, siguieran ganando, aunque ahora por poco, los demócratas y se mantuviera su etiqueta de estados ‘azules’).

Como ya se ha mencionado, el tema de los valores morales no estuvo presente explícitamente en ningún sondeo de opinión durante la campaña electoral, pero emergió en la encuesta del día de las elecciones, especialmente en los estados que celebraron ese mismo día referendos sobre el matrimonio heterosexual. Algunos grupos religiosos, con apoyo discreto de los republicanos, promovieron en 11 estados referendos en defensa del matrimonio entre personas de distinto sexo (otros 17 estados habían ya aprobado enmiendas de este tipo y otros podrían seguir). Aun con distintas formulaciones, en todos los estados la respuesta ‘sí’ significaba apoyo al matrimonio como la unión de un hombre y una mujer. El voto afirmativo no descartaba, pues, la legalidad de las ‘uniones civiles’ o parejas de hecho homosexuales ni aún menos condenaba la homosexualidad como tal, sino que pretendía preservar el status-quo y prevenir posibles sentencias judiciales que permitieran la adopción de niños a parejas del mismo sexo. Las bodas gay, aunque han sido aceptadas por algunos alcaldes, sólo han sido legalizadas por el Tribunal Supremo del estado de Massachussets, habitualmente considerado el más liberal del país. La victoria del ‘sí’ en los referendos no comportaba, pues, ninguna legislación adicional, sino sólo la prevención de sentencias judiciales como la mencionada. En los 11 estados, el ‘sí’ ganó al ‘no’ por una proporción media del 70 por ciento al 30 por ciento, que es 12 puntos más alta que la proporción media de votos a Bush en esos estados. Esto significa

que un número apreciable de votantes del candidato demócrata John Kerry votó 'sí'.

Lógicamente, se observa una correlación positiva entre la celebración de un referéndum sobre el matrimonio heterosexual y la importancia concedida en la encuesta de salida al tema 'valores morales', el cual fue citado en la media de los 11 estados como el tema más importante por un 4 por ciento más de votantes que en los demás estados. Sin duda, esto puede ser un efecto del mayor número de mensajes sobre el tema lanzados durante la campaña allí donde había referéndum.

Sin embargo, si se comparan los votos de 2004 con los de la elección de 2000 estado por estado, no hay ninguna relación estadísticamente significativa entre la celebración de este tipo de referéndum o la mayor importancia concedida al tema 'valores morales' por los ciudadanos y el voto al candidato Bush. Los referendos no parecen haber sido decisivos para decantar una mayoría en ningún estado. En el conjunto de los 11 estados con referéndum, Bush aumentó sus votos con respecto a la elección de 2000 en una proporción menor que en el conjunto de los otros 39 estados. La crucial contienda en Ohio, donde, en todas las elecciones presidenciales desde hace más de cuarenta años, ha ganado el candidato ganador a nivel nacional, se saldó con una victoria relativamente ajustada de George W. Bush con una ventaja de 2.5 puntos porcentuales. Desde luego, la celebración del referéndum sobre el matrimonio heterosexual pudo haber

incrementado la movilización y la participación electoral también en este estado. Pero el aumento de votos a Bush en Ohio fue sólo de un 1 por ciento, en contraste con una media de más del 3 por ciento a nivel nacional. Tampoco en este caso parece, pues, que el tema de los valores morales y familiares fuera decisivo para decantar la elección.

#### PROYECTOS DE FUTURO

La expectativa lógica para los cuatro años del segundo mandato del presidente Bush es que se mantendrá en correspondencia con la moderación global del electorado y la ausencia de una mayoría favorable a una nueva propuesta política en los temas morales y familiares frente al status quo. En los inicios de su segundo mandato, el presidente Bush ha presentado sus prioridades en la jornada inmediatamente posterior a la elección, en el discurso inaugural el 20 de enero de 2005 y en el discurso ante el Congreso sobre el estado de la Unión el 2 de febrero. En todas estas ocasiones ha subrayado que la prioridad número uno de su administración es la lucha contra el terrorismo (que, según nuestro análisis, fue, efectivamente el tema más influyente en su reelección), la cual se vincula ahora a un amplio y ambicioso plan de democratización de países sometidos a dictaduras terroristas, especialmente en Oriente Próximo. En segundo lugar, ha introducido una propuesta de reforma del sistema de pensiones, la cual ha obtenido una pronta resistencia en el Congreso. En

tercer lugar, se propone una simplificación del sistema fiscal.

En ninguna de las tres ocasiones mencionadas hizo Bush ninguna referencia al tema del aborto. Sólo cinco días después de su toma de posesión tuvo lugar en Washington una manifestación de ámbito nacional convocada por grupos religiosos contra el aborto legal. El presidente Bush no acudió a la convocatoria de los organizadores, sino que se dirigió a ellos por teléfono desde la residencia de fin de semana en Camp David para decirles que “la ilegalización del aborto sigue siendo un objetivo remoto”. Los partidarios de ilegalizar el aborto esperan que la avanzada edad de algunos miembros del Tribunal Supremo cree la ocasión para el nombramiento de nuevos magistrados que puedan promover una revisión de la sentencia de 1973 (conocida como *Roe vs. Wade*) por la que se legalizó el aborto a nivel federal. Esto no implicaría una prohibición del aborto, sino sólo la posibilidad de que algunos estados introdujeran nueva legislación sobre este tema. Pero también este objetivo parece más bien remoto.

Sólo en el discurso sobre el estado de la Unión mencionó Bush su apoyo a la propuesta de una enmienda constitucional a nivel federal para prohibir el matrimonio homosexual. En este caso la propuesta comportaría la defensa del actual status-quo y una barrera contra nueva legislación. Tras la sentencia favorable en Massachussets, se han presentado

demandas judiciales para legalizar los matrimonios homosexuales en otros nueve estados. Una enmienda constitucional a nivel federal podría descartar la posibilidad de que los matrimonios homosexuales que fueran reconocidos vía judicial en algunos estados tuvieran que ser reconocidos en otros estados que los hubieran prohibido. Pero una enmienda de este tipo ya fue introducida en el Congreso y fue derrotada por el Senado en junio de 2004, derrota a nivel federal que precisamente generó las iniciativas de referéndum a nivel estatal. Una enmienda constitucional requiere el apoyo de dos tercios de los representantes y dos tercios de los senadores de la Unión, así como su ratificación por las asambleas legislativas de tres cuartos de los estados, lo cual parece fuera del alcance de los republicanos en el periodo actual

## CONCLUSIÓN

Según el marco de análisis y los datos de opinión y de voto aquí presentados, los valores morales y familiares no son objeto de un amplio consenso entre los dos grandes partidos de Estados Unidos. Los demócratas y los republicanos apoyan propuestas de políticas públicas muy diferentes y con fuertes referencias ideológicas. Sin embargo, una gran parte de los ciudadanos se sitúa en posiciones moderadas y apoya el mantenimiento del status-quo, formado por un conjunto de políticas públicas moderadamente liberales, aunque una parte de ellos quizá lo haga porque aún no se ha formado una opinión

definida sobre el tema. No hay actualmente una mayoría a favor de un cambio importante de las políticas vigentes en temas como el aborto o el matrimonio homosexual ni en una dirección más liberal ni en una dirección más conservadora. La experiencia histórica nos indica que a veces los extremistas aciertan y con el tiempo acaba formándose una mayoría que adopta sus puntos de vista (los cuales dejan, así, de ser extremos). Pero en los temas de moral y familia, las propuestas extremas son aún demasiado divisivas y no suficientemente convincentes para una gran parte del electorado americano. Parece, pues, que el momento para un nuevo cambio todavía no ha llegado.

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ROBERT KAGAN

## “America and the Crisis of Legitimacy”

(Transcripción literal de la intervención)

During the Iraq war there was a lot of anger, anxiety and tension between our countries and I got a first-hand view of it. Now, as I come here to Spain and to Europe, I find that we are in a somewhat different phase, although I am not exactly sure what that phase is or how to describe it.

Clearly, I believe the good news is that Europeans on the one hand and Americans on the other have gotten past the initial shock of recognition that I would say characterized the period immediately before the Iraq war and then for some time afterwards. And what was recognized was how different really the average American attitude towards world affairs is from the average European attitude. During the Cold War, we had for many good and for many practical reasons submerged a lot of these differences. These differences were not as great during the Cold War to begin with, but the existence of a common threat which was not doubted fundamentally on either side of the Atlantic, the fact that there was broad agreement on both sides of the Atlantic, that there was mutual strategic dependency characterized the Cold War period. The vast majority of Europeans believed they absolutely required America's military strength to act as a deterrent against the Soviet Union and the Warsaw Pact. Americans, after 1947, came to believe and understand that Europe's security was a vital national interest of the United States. And I think that what we did not realize at the time was the degree to which this very substantial mutual

dependency tended to smooth over a lot of the disagreements that the United States and Europe had in a lot of areas.

Anyone who remembers the Cold War knows that it was a bumpy period, that it was not all love and kisses for fifty years, and there were even occasions when Europeans were as morally indignant and opposed to US actions as they were during the most recent Iraq war. Certainly during the Vietnam war, European opposition was substantial and perhaps more substantial in some respects than it was during the Iraq war. The Vietnam war, however, did not undermine or even threaten to undermine the basic transatlantic relationship. Why was that so? For an explanation, I would turn again to the fact that whatever Europeans thought about the amoral and unfortunate behavior of the United States in Vietnam, the Europeans still depended on the United States for their fundamental security and that made for a great deal of forgiveness or willingness to overlook. What the rift over Iraq demonstrated is that in the post-Cold War period that kind of tolerance is not going to exist in the same way and that when the US acts in a way that Europeans or the majority of Europeans find offensive, there is no dam to hold back the torrents of anti-American policy that can pour out in Europe. I learned somewhat ahead of my American colleagues just by virtue of the fact that I was living in Brussels for three years that Europeans, with the exception of some eastern European countries, do not feel dependent on the United States for their

fundamental security. The average European does not believe they need the United States any more to protect them from whatever dangers may or may not exist out there. This could change in the future. I do not wish it to change in some ways because it would mean that a greater threat had emerged, but it is the reality, and it means there is much less forgiveness of American failures in European eyes. That is one reality that we all face.

The second reality that we all face is that the United States and Europe really have different views of the world. This difference can be measured in all kinds of metrics and in terms of actions. I do not think it is a controversial statement anymore to say that Americans on the whole tend to favor the use of military force more than the average European does. There was a time in the past year or so when I think a lot of Europeans hoped this was all some sort of George W. Bush aberration and that the American government had been seized by a cabal of neo-conservatives with George W. Bush at their helm. I think and hope that the truth has sunk in more deeply and that, if Europe has a problem with America today, it is a problem with America and not just with one President. Therefore, there is this shock of recognition that this is the America that exists today, an America that has gone to war, has used force nine times in the last twenty years if you go back and start counting with the war in Grenada, the war in Panama, etc., which is on average once every less than two years the US has sent substantial forces abroad. The United

States does still very much, and certainly after September 11th, believe in the use of force and is unwilling to see that use of force overly constrained by deference to international institutions. I just think that is a reality which Europeans have come to understand. Although polls are always dubious things to quote, there is an interesting and striking poll number that resulted from the German Marshall Fund asking last summer in a poll of the United States and eight European countries a very straightforward and in a way philosophical question: "Can there ever be such a thing as a just war?" "Is war ever necessary to achieve justice?" 82% of Americans answered that war can be necessary to achieve justice. In Spain, the number was 26%. This is not with regards to any particular war, such as the Iraq war or the Vietnam war, it relates to war in general. Setting aside who is right or wrong, we are facing an enormous gap in perspective which transcends individual politicians and which we have to deal with.

I think where we are today is that we recognize a couple of things. First of all, the old strategic partnership of the Cold War is over because that world has disappeared. A strategic partnership based on circumstances that no longer exist cannot be re-created. And, secondly, as we look forward to the future, we must take into account the very fundamentally different ways in which most Americans view the world as opposed to the way most Europeans view the world. I just want to make it clear that I understand that there

are differences of opinion on both sides of the Atlantic. You cannot talk about European public opinion any more than you can talk about American public opinion. Nevertheless, there are some general tendencies regarding the ways to view the world and they are different on either side of the Atlantic. And so the challenge for us is to acknowledge those differences and ascertain where that leads us. Does it lead us to complete separation or towards some new way of organizing our relationship which takes account of these fundamental differences and figures out how to make the most of them? I share Eduardo Serra's opinion that we Americans should not act alone if we have any choice at all. It is not desirable for us to act alone, but not so much out of material considerations insofar as other countries may assist the United States with money or troops but rather because of the psychological and the philosophical considerations. I think it is a great mistake when people think that Americans as a people have no concern about what the rest of the world thinks about them, and especially what their closest democratic allies think about them. Americans do care. And it will be difficult for the United States to proceed forward in the next few years without some sense that its democratic friends and allies around the world, in Europe as well as Asia and elsewhere, are to some extent with them. And so that is something that is of value.

I do not know what the European need is to work in conjunction with the United States. I think that sometimes Europeans think

that they can deal with the world without the United States and that the United States is more of a hindrance and a threat than anything else. At other times, I do sense that there is a concern in Europe that an ultimate division and divorce between the United States and Europe would not be in either of our interests. So how do we move forward together?

Well, partly the answer is that we approach the world and bring to the world what we each uniquely possess. As many, I am struck by the great power that the European Union does wield, especially in what you might call Europe's near abroad. Europe really has become a magnet for peoples living on the European periphery who want to partake in the European life. A very smart man who works at the European Union, Robert Cooper, has talked about the EU as a kind of liberal and voluntary empire that expands because people want to be a part of it. I am aware of all the difficulties this creates for Europeans as they think about whether to take in Turkey and Ukraine. I can only say as an American –since it is no skin off my nose– that I am in favor of the European Union accepting Turkey and Ukraine as members because the role that I can envision for Europe – and which would be vitally important to the United States– would be to bring some stability, democracy and liberal order to a part of the world at the periphery of Europe which is now very unsettled and potentially very dangerous. I think that is a vital role that Europe can play.



What about the United States? I think that Europeans could come to appreciate that, for all of the errors of American ways now and then, the United States does have the capacity to take some existing situations that seem to be of no solution and in a naively optimistic way throw its power into them and actually change them for the better. There is a very interesting article written by a man named Steve Sestanovich, a professor at Columbia University, who talks about the US’s maximalist approach to foreign affairs. This approach is not an invention of the Bush administration, it is a recurrent theme in American foreign policy. One of the examples which Sestanovich draws is the unification of Germany. Most of Europe was very slow to contemplate the unification of Germany and it really was very much the United States that stepped in, made a fundamental change and pushed through the reunification of Germany. President Ronald Reagan’s decision to deploy the Euromissiles during the 1980s was another example of this maximalist approach. The general European view with regards to the Euromissiles deployment was cautious and nervous about what the Russians might do. Reagan, from that point of view, was dangerous and brash and willing to throw caution to the winds. The result, however, turned out to be quite favorable. I could provide other examples.

We are currently living through yet another example of American maximalism, of America as a revolutionary power. Although this is something that Americans themselves and that many people abroad do

not like to admit, the truth is that America is and always has been a revolutionary power. When the US moves into regions of the world, it changes them. The latest area where American revolutionary power is being exercised –with still uncertain results–, is the Middle East. I have not been in Europe since the elections that took place in Iraq on January 30th. I know that in the United States, and this is true for both Democrats and Republicans, liberals and conservatives, the elections in Iraq –imperfect as they may have been– are increasingly being seen as a potential turning point, whose echo effects are being felt in Lebanon, most recently even in Egypt and perhaps in Jordan and in Saudi Arabia. Democracy will obviously not flourish overnight in the Middle East, but I think the degree of change, ferment and bubbling in the region is striking and it is the consequence of the United States using two blunt instruments: military force and the very strong rhetoric that President Bush has used in his recent important speeches regarding democracy.

When I listened to Ambassador Westendorp’s comments earlier today, I noticed that the issue of democracy was not one of the topics that he discussed. In America today, and again this is across the political spectrum, we are taking great note of the fact that over the past year we have had successful elections in Afghanistan, in Palestine, in Ukraine, in Irak, elections that may be historic coming up soon in Lebanon and we have the president of Egypt announcing for the first time –we

have to wait to see what the fine print will be- that he may be willing to entertain multi-party, multi-candidate elections. This is what is seizing peoples' attention in the United States. I do not know whether this is what is seizing attention in Europe. When President Bush was here and speaking to Europe he did his best to speak to Europe in the language that Europe likes to hear. He really tried very hard this time and he used the word stability over and over again because his advisers told him the Europeans get very nervous when you talk about change, that they want to hear about stability. The irony of course is that on the European continent and in the European Union all Europeans want to do is talk about change and moving forward and there is no emphasis on stability. And maybe it is not ironic. Maybe because Europe is going through so much internal change and turmoil, it wants the rest of the world to stand still and not become places of turmoil while Europe works to ride its own tiger here on the continent. That may well be the case. But nevertheless these changes have happened because of the power and will of the United States, and because we have once again pursued a maximalist objective with revolutionary impatience. This may or may not be unsettling to Europe. We will have to wait and see whether we can continue to move forward like this. How much of the American agenda is Europe willing to swallow if it appears to be more or less successful, is a question that remains unanswered. But I do believe that the future of our partnership consists not of

trying to marry us up into one great strategic power that will march boldly into the world since that is not what is going to happen. The future strategic partnership is one where Europe concentrates on Europe's strengths, America concentrates on its strengths, and in the best of all worlds we have some understanding of each other, we have some measure of tolerance of each other's different world views and different methods but what joins us together is the sense that ultimately we really are aiming at a common project. That would be my hope at least.



“US Leadership in Second Bush Term”

I. THE BUSH VISION OF LEADERSHIP

There was a lot of debate during George W. Bush's first term about whether his administration's foreign policy represented a radical shift, a so-called “Bush Revolution” in American foreign policy. Arguments and debate swirled around the meaning and novelty of terms such as unilateralism, regime change, and preemption, a debate that obscured important continuities in US foreign policy in the Clinton and Bush years. The United States, in fact, had long before the Bush administration reserved the right to act unilaterally and preemptively, and indeed had often done so, while regime change in Iraq had been official U.S. policy since Clinton signed the Iraq Liberation Act in 1998. Moreover, the United States had during the 1990s an increasingly tense relationship with many international organizations, particularly the UN, and had already balked at signing the Land Mine Treaty, and at ratifying the Kyoto Protocol and the ICC Treaty. In this sense, much of Bush foreign policy represented a continuation of trends that began after the end of the Cold War, though many were certainly accelerated by the shock of 9/11.

Having said that, however, there were obviously some significant differences between the Clinton and Bush years. The most consequential, particularly for U.S.-European relations, was the new understanding of U.S. leadership that the Bush team brought into the White House. In the new team's view, the Clinton

administration had too often followed a model of diplomacy that unwisely sought to achieve allied and especially transatlantic consensus before taking important foreign policy decisions. This model was best symbolized in the spring of 1993, when Clinton, having resolved to lift the Bosnian arms embargo and initiate air strikes against the Bosnian Serbs, sent Secretary of State Warren Christopher on a marathon trip to six European capitals to rally European support. When Christopher failed to do so—or even, according to his critics, to try very hard—momentum for the policy flagged within the U.S. government. U.S. policy moved away from the notion of air strikes and toward the European approach of establishing (but not really enforcing) “safe havens,” delaying forceful action for another two years. The Christopher mission would later come to be seen, especially among Republican critics but also for many in the Clinton administration itself, as a model of how not to lead—by allowing the desire for allied support to create delays and indecision in the alliance.

Diplomacy in this style, they believed, belonged to a bygone era. The increased relative power of the United States and its unique military capacity meant that such consultations were no longer necessary. Meanwhile, the growing divide in U.S.-European threat perceptions as well as the agonizing and seemingly endless U.S.-European diplomacy over such issues as the Balkans, Iraq, and the Middle East peace process argued that a new approach to

alliance relations was necessary. The Clinton administration itself, of course, had over the years come to take a much tougher-minded view of leadership. But the Bush team felt that even the late 1990s version of Clinton’s foreign policy was far too deferential to allied sensibilities and that major changes were required.

Thus, the new administration’s vision was that important U.S. foreign policy goals could only be realized through decisive U.S. leadership—and if necessary unilateral action. Such leadership entailed staking out firm positions and then demonstrating a capacity, and an implacable will, to follow through on policies regardless of the opposition they might generate. In such circumstances, the administration was convinced U.S. allies and partners would eventually follow the American lead and yet simultaneously allow the United States to maintain its freedom of action. As Robert Kagan, who is always well ahead the curve, articulated the theory in 1998, “to be effective, multilateralism must be preceded by unilateralism. In the toughest situations, the most effective multilateral response comes when the strongest power decides to act, with or without the others, and then asks its partners whether they will join.” Former CIA Director James Woolsey, another strong supporter of the Bush administration’s foreign policy and leadership style, agreed: “My experience in a number of different jobs in government in this area has been that when the United States acts decisively and goes to its friends and allies and says, ‘We’re going to do this,

and we want you with us,’ we get a lot better response than if we start with the lowest denominator of a large group of countries and say, ‘Gee, what do you think we ought to do?’”

This “if you build it, they will come” doctrine expresses the belief that the United States is a unique country not just in terms of the power that it possesses but also in its moral authority for using that power. It does not rule out acting in coalitions, but it does rely on the credible threat that the U.S. will act alone to make opposition to U.S. plans seem futile. This vision of U.S. leadership depends on the U.S. military and diplomatic capacity to act unilaterally, though it does not expect to have to do so since others will eventually follow.

It’s important to note that the September 11 attacks did not create this new vision of leadership, which instead rested on a deep belief in American military and moral preeminence. Policy in this broad sense did not change after the attacks. But the politics changed completely. Emboldened by enormous American power, inspired by its pre-existing concept of alliance leadership, and angered by the 9/11 attack, the administration saw no advantages, and plenty of downsides, to involving allies, including European allies, in the U.S. decision-making process.

Rather, Bush was ready to respond to the challenges that 9/11 revealed and to the political opportunity of the moment by elaborating a more precise and more overt

version of its vision of U.S. leadership. For an administration already convinced that hard problems required decisive U.S. leadership, 9/11 confirmed that international affairs were now far too dangerous for the American people to accept anything less. If Europeans did not agree with the way America decided to respond to the new challenges, that was unfortunate, but it was their problem, and the United States would not risk its safety to accommodate dissenting views.

Consistent with this message, and to the dismay of many allies, Washington did not engage in any significant multilateral consultations before moving against the Taliban in Afghanistan in October 2001. Multilateral support would have been easy for the United States to secure in this case—the Taliban had few sympathizers even before September 11. Indeed, significant approval and assistance was offered without the United States even needing to ask for it. Already on September 12, NATO, for the first time in its history, invoked its Article V treaty commitment of mutual defense on the initiative of Lord Robertson, the NATO Secretary-General, without an explicit American request (and despite the misgivings of the Pentagon). Similarly, the UN Security Council, at France's initiative, passed Resolution 1383 on September 12, offering the United States any assistance necessary.

Despite this rapid show of support, the Bush administration decided that it did not

want to risk future delays or diminish U.S. control by accepting too much international assistance. Indeed, on September 26, at the first high-level briefing provided by Washington to NATO defense ministers after September 11, Deputy Secretary of Defense Paul Wolfowitz ruled out using any international or NATO structures (such as the North Atlantic Council or Supreme Headquarters Allied Planning Europe). He also made clear that Washington was not planning to rely heavily on European forces either, instead noting that the effort “would be made up of many different coalitions in different parts of the world.” In Defense Secretary Donald Rumsfeld's famous formulation, “the mission should determine the coalition,” not the other way around.

This position reflected a longstanding mindset in the Pentagon and among many Republican strategists that did not believe allied support added any appreciable military value to the U.S. effort. Such thinking was a natural outgrowth of the view that pre-eminent U.S. power alone could ensure victory in the military phase of operations. It was reinforced by what many Americans saw as a key “lesson” of Kosovo. Whereas many in Europe saw the Kosovo air campaign as excessively dominated by the United States, most Americans—particularly within the military—saw just the opposite: excessive European meddling, with French politicians and European lawyers interfering with efficient targeting and bombing runs, and compromising operational security.

This time, the Bush team determined, would be different. NATO was not used in Afghanistan and indeed—in ironic contrast to previous conflicts like the Gulf War, Bosnia and Kosovo—the United States actually faced a situation in which the NATO allies were offering more troops and equipment than the Pentagon, for military and political reasons, wanted to use. The United States accepted some symbolic foreign assistance, but in so doing, Washington refused to cede any degree of control or even any right of consultation. Assistance offered under even an implicit notion that participation conferred some such rights was refused.

For U.S. policymakers, the manner in which Operation Enduring Freedom in Afghanistan unfolded confirmed and indeed reinforced the wisdom of this approach to coalition management. Despite very strong initial support, allied confidence weakened easily under the stress of operations. When after only three weeks of military operations, U.S. operational momentum stalled before Mazar-e-Sharif, European commentators began to question U.S. strategies, tactics, and even, obliquely, U.S. motives. They implied that the United States—like the British and Soviet Empires before it—had bitten off more in Afghanistan than even a superpower could chew. European governments—with what the U.S. administration saw as typical pessimism—began to hint that the U.S. had moved too quickly and foresworn the necessary allied and internal support.

Because U.S. operations were invulnerable to allied interference by the structure of the coalition, however, U.S. officials simply ignored such complaints in a manner that would not have been possible under, say, NATO auspices. U.S. military forces, aided primarily by local Afghan allies, pushed ahead according to the original plan. Contrary to many dire predictions, resistance crumbled suddenly under the weight of American military power. The critics were silenced and all allied governments—those that had participated, those that had criticized, and those that had equivocated—rushed to offer troops and aid for post-war reconstruction.

The lesson for many Americans was clear: Europeans will whine and complain about any military operation, but victory will obviate such complaints and the Europeans will jump on the bandwagon. The process through which the coalition was created would not matter in the end. Because pre-eminent U.S. military power alone could produce a victory, there was little reason to endure the trials and tribulations of multilateral negotiations. This was a powerful confirmation of the “if you build it, they will come” concept of alliance leadership, a concept that was therefore once again employed in the lead-up to the Iraqi War in 2003.

## II. CHALLENGES TO THE BUSH VISION

There is, of course, much to be said for assertive American leadership. The “if you

build it, they will come” theory of coalition management that has been applied with such vigor and purpose by the Bush administration does have the genuine virtue of allowing quick and decisive action. As developments over the past decade—from the Gulf to the Balkans to Afghanistan—have shown, Washington’s willingness to lead often seems to be the only way to get the rest of the international community to act. In all of these cases, moreover, the United States not only showed it could rally international support by charting a decisive political course, but it demonstrated in dramatic fashion the power of its military forces. Rapid and impressive U.S. military victories focused European minds on the indisputable fact that the U.S. military, even acting alone, can accomplish unprecedented feats. Thus, for example, the Security Council votes (UNSC resolutions 1483, 1500, and 1511) authorizing the American-led occupation of Iraq, as well as the military contributions of some of the European allies in Iraq, were seen in much of Washington as another vindication of the new style of American leadership. While the United States may not have been able to win UN or NATO support for the Iraq war in advance, its quick success in toppling the Iraqi regime seemed to leave others with little choice but to acquiesce to American designs.

But it is also clear, even in the abstract, that when taken too far, assertive leadership can quickly turn into arrogant unilateralism, to the point where resentful others become less likely to follow the lead

of the United States. Ironically, few have anticipated this type of reaction better than did candidate Bush when, in October 2000, he warned that potential allies around the world would “welcome” a humble United States but “resent” an arrogant one. More to the point, sustaining this type of leadership requires that the coalition move from success to success. When even one setback occurs—and setbacks inevitably occur as the theory fails and fails badly because there is no reservoir of legitimacy and consent to see the coalition through hard times.

And of course the very real setbacks in Iraq in the last two years have already demonstrated some of the limits of U.S. power, the ways in which the United States needs allies, and the drawbacks of the Bush style of leadership. Far from victory having brought in new allies, the setbacks in Iraq have created almost a stampede for the exits; 15 of the 32 countries that joined the Iraq coalition have left or plan to leave fairly soon including Spain, Hungary, the Netherlands, Poland and Ukraine. The result is that, two years after the war began, United States is still providing some 85% of the foreign troops, taking 90% of the foreign casualties, and providing 90% of the money for Iraqi security and reconstruction. It seems clear in retrospect that the very heavy-handed process through which this coalition was created made it very brittle when confronted with setbacks..



The Bush style of leadership and the setbacks in Iraq have also combined to help create an unprecedented degree of assertiveness in foreign policy of other states. Europeans have become much more willing on issues such as the Kyoto Protocol, Iran, the International Criminal Court, the China Arms Embargo, and even European defense to move forward despite American objections that in earlier times might have created disunity within Europe. Creating agreement on contentious foreign policy issues within the fractious European Council is no easy task, so we should acknowledge the Bush administration's accomplishment in this regard—even if this was not the intent..

On many issues, the critical difference has been a subtle shift in the attitude of Britain toward European foreign and security policy initiatives. Europeans have long acknowledged that Britain's military and diplomatic weight make its participation a *sine qua non* for any meaningful progress in this area. At the same time, Britain's special relationship with the United States and its determination to keep the United States involved and interested in Europe has long ensured that European defense initiatives could not stray too far from U.S. desires. Thus, for example, when France, Germany, Belgium, and Luxembourg proposed in April 2003 during the height of the Iraq crisis to set up European defense planning and operational capabilities separate from those in NATO, the United States vigorously objected and appealed to the UK and other European allies to stop

the move, which they effectively did. U.S. and UK officials publicly condemned the initiative as a violation of the “Berlin Plus” agreements defining the relationship between NATO and an independent EU force.

But then at a trilateral summit in Berlin in November 2003, France, Germany, and Britain negotiated an agreement on the shape of an independent European Security and Defense Policy not so different in substance from the one proposed in April 2003 and the United States remained obtrusively silent. Neither country's assessment of the agreement's compatibility with Berlin Plus had changed. Rather, in the wake of the Iraq experience, British Prime Minister Tony Blair now saw it as essential to his political survival to demonstrate that he supports a European construction that is capable of independent action. He specifically asked President Bush not to allow criticism of the initiative from his administration, asserting that the survival of the British government was at stake. The planning cell the U.S. still objects to is now being staffed. And just in case the point was not clear, in a speech this month in Munich, Gerhard Schröder surprised his American counterparts by bluntly declaring that NATO was no longer the primary forum for transatlantic dialogue and calling for a panel to rethink the issue from scratch.

Thus, if the lesson of the 1990s was that American leadership is still necessary to deal with difficult security problems, even

within Europe, the lesson of the first Bush term is that American leadership is not sufficient for dealing with those problems. Rather, American leadership must result from a process that can legitimate American actions and can secure genuine and enthusiastic allied support, particularly from European allies. That type of support is unlikely to result from a leadership style that simply assumes others will follow.

### III. THE NEW VIEW

These lessons have not been lost on policymakers in Washington and the Bush theory of leadership has begun to change. Indeed, that change has been in train for about a year. Last year, American electoral politics limited the policy initiatives that could result from these changes in mindset, but in fact one instrumental event in initiating the change was the Spanish election last March. The Popular Party's surprise defeat and the consequent withdrawal of Spanish troops from Iraq brought home to the Bush administration just how vulnerable their policy had made many of the governments in Europe that supported U.S. Iraq policy against the vast majority of their domestic public opinion. It also demonstrated how that vulnerability could directly and materially threatened not only US influence in Europe, but also U.S. efforts in Iraq and elsewhere.

The result has been the current "charm offensive," highlighted by Secretary Rice's and President Bush's recent trips to

Europe. These trips should be as a sincere attempt to demonstrate a recognition of Europe's importance, to reach out to Europe, and to re-establish if possible an American leadership of the Atlantic Alliance based on genuine consultations and real consent. In other words, the administration has decided to reintroduce diplomacy into its relations with Europe.

To see the change, one need only compare these trips to Bush's actions at the beginning of his first term. In 2001, only hours before his first trip to Europe, the President delivered a shot across Europe's bow by declaring that the Kyoto protocol was "unrealistic" and effectively dead. The President's trip then consisted of visits to Spain, Poland, and Slovenia to meet the Russian President. As Condoleezza Rice asserted at the time, "this is not the average, normal American President's first tour to Europe. There are messages in the locations he has chosen, there are messages in the way he is talking about this Europe." One message was clear: France and Germany were not Europe and the United States would cultivate special bilateral relationships with supportive countries within Europe.

This time the President went to Brussels, visiting both EU and NATO headquarters, and to Germany. There are messages in those locations as well, but they are very different messages. Bush is now willing to acknowledge the importance of Europe, to reconcile himself with the leaders that

opposed him in Iraq, and even to consider treating with the European Union as unified foreign policy actor on the international stage.

All of this represents a significant change in thinking from the first term, particularly in the manner in which the United States will attempt to exercise leadership within the transatlantic alliance. But it is important to recognize that it does not represent a very significant change in the substance of the Bush administration’s foreign policy. Bush has acknowledged that the transatlantic relationship is important, but it is much less clear that his administration has any intention of making the compromises on the difficult issues that still divide the U.S. and Europe—for example, on Iran, on climate change, on the International Criminal court. Indeed, Bush has given every indication that he believes his reelection validated his foreign policy and he sees no reason to change it. Bush’s new approach amounts to, as he put it in a recent press conference, “reach[ing] out to others and explain[ing] why I make the decisions I make.” Much of the old team remains in place and there is still a general belief that without strong sense of purpose from the United States, Europe in particular will remain feckless in the face of international security problems and even hostile to American policy stances intended to address such problems.

This is nonetheless an improvement on the first term, but it remains to be seen whether “charm offensives” and “explanations” will

be enough to undo the damage done to America’s alliances in his first term and to temper Europe’s new assertiveness. My guess is that the world will read this charm offensive as a prelude to a spirit of compromise that may not be forthcoming, and the result will be further disillusionment and estrangement. This is certainly a shame, not simply because the events of the last few years have so vividly demonstrated why Europe and America need each other, but also because compromises on even the most difficult issues really are possible and would greatly benefit both sides. At Brookings, we recently took the initiative to bring together experts and former officials from both sides of the Atlantic to draft a notional “Compact between the United States and Europe” that demonstrated how a sort of grand bargain might look across a varieties of issues from Iran to Global Warming to the China trade embargo. The Compact attracted a wide range of signatories from both sides, including Robert Kagan and Narcis Serra. I encourage you all to take a look at it, because I think it demonstrates that Americans and Europeans can, in fact, agree, even on some really difficult issues. I think it also demonstrates that American and European differences are more over methods for dealing with problems than about what the goals should be. Obviously, Americans and Europeans do have different perspectives about the world. But while those differences are significant, the continuing confluence of interests across the Atlantic does mean that we have both an interest and a capacity to reach agreement

on these issues. None of us expected President Bush and the European leaders to reach a comprehensive bargain on anything like the 13 issues we discussed in the Compact, but the fact that they made so little progress on even a few of them suggests that the President's recent trip to Europe may prove to have been an opportunity lost.



## Clausura del Seminario

### (Transcripción literal de la intervención)

A la hora de exponer las conclusiones del seminario que hemos celebrado hoy, y como un reconocimiento al trabajo realizado, haré tres comentarios relacionados con los tres bloques temáticos que se han abordado.

En primer lugar, hemos tratado sobre las perspectivas de la economía de los Estados Unidos mediante las presentaciones del Dr. Sidney Weintraub y del Dr. Paul Isbell. Me ha quedado como poso de estas dos intervenciones muy lúcidas y muy preparadas la preocupación de que la situación actual no favorece la adopción de medidas que llevarían a una solución gradual y suave de los desequilibrios existentes en la economía de los EEUU. Por lo general, en ningún país cuando las cosas van bien y la economía crece, hay tendencia a tomar medidas quirúrgicas dolorosas o que limen las posibilidades de apoyo público o electorales.

En relación a la situación de la economía internacional, por una parte nos hallamos ante la dificultad de que Europa -como pedía el Dr. Weintraub- no ayuda suficientemente porque es incapaz de lograr un crecimiento sustancial de su economía que le permita asumir el papel de locomotora. Por otra parte, existe también la dificultad de que se produzcan los necesarios ajustes en la economía de los EEUU, ajustes que, en caso de suceder de manera brusca, conllevarían un descenso acusado en la tasa de crecimiento de la economía mundial. Debemos reflexionar y analizar la situación que he descrito, porque creo que la interdependencia es una conclusión común de los tres paneles del

seminario de hoy. Cualquier cambio importante que suceda en los EEUU o que suceda en la relación entre los EEUU y Europa tiene consecuencias muy serias para los EEUU, para Europa y para el resto del mundo debido al hecho de que somos interdependientes. Hay un dato que le gusta repetir a Javier Solana que ilustra perfectamente esta interdependencia entre los EEUU y Europa: en el 2004, Europa invirtió en un único estado de los EEUU, el de Tejas, mucho más dinero que el que EEUU invirtió en China. Y, también en el 2004, los EEUU invirtieron en Holanda mucho más dinero que en toda América Latina. Este dato es una demostración de la interdependencia económica existente en ambas direcciones, entre los EEUU y nosotros, los europeos.

Para mí han resultado de sumo interés las explicaciones que han realizado los doctores Inglehart, Berkowitz y Colomer sobre la evolución profunda de la opinión pública y sobre los valores que se defienden a uno y otro lado del Atlántico. El Dr. Inglehart defiende que esta evolución es en la misma dirección, aunque con ritmos distintos. Quizás tenemos que esperar un poco más de tiempo para comprobar si el Dr. Inglehart tiene razón. En cualquier caso, su análisis y su presentación gráfica de la transformación de mentalidad tradicional a mentalidad secular y de supervivencia a defensa de la realización personal, - efectuando una traducción libre de sus parámetros- me parece válida incluso para analizar realidades más pequeñas, pero muy diversas, como es nuestra propia realidad española. A pesar de que creo que en este ámbito necesitamos un poco más de

tiempo antes de poder llegar a conclusiones, destacaría que las tres intervenciones –incluyendo la del Dr. Colomer– nos han sugerido que no han sido las diferencias en valores sino la diferente actitud por parte de los estadounidenses respecto a los europeos ante el terrorismo lo que ha influido decisivamente en el resultado electoral en los EEUU el pasado mes de noviembre.

Enlazando con el tercer debate, celebrado después del almuerzo y con cuyos ponentes –tanto Robert Kagan como Jeremy Shapiro– he participado en otros seminarios, quisiera resaltar que Robert Kagan siempre defiende que las diferencias entre Europa y los EEUU existen entre sus respectivas opiniones públicas pero no entre sus gobiernos. Mi parecer es que dicha afirmación no es del todo cierta puesto que el gobierno de George W. Bush no está situado exactamente en el centro moderado de las posiciones en los EEUU sino que más bien está muy escorado hacia un lado. Por lo tanto, no puede pensarse que las dificultades provienen de la diferencia de valores entre las dos opiniones públicas, sino que también tenemos que incluir en el análisis los gobiernos que hay en cada momento en los EEUU y en Europa. Incluso hay que tener en cuenta –si me lo permiten– los gobiernos que hay en España porque los gobiernos inciden, como ha quedado demostrado, en las políticas que puede realizar cada país.

Con el riesgo de detenerme demasiado en este último panel, quisiera realizar una reflexión final sobre el mismo. Creo que va a ser muy difícil el diálogo constructivo

entre los EEUU y Europa, pero creo que es posible. Creo que es posible porque hay un elemento cuya falta ha sido crucial para los problemas que se le han presentado en política exterior a la administración de los EEUU en los últimos cuatro años. Dicho elemento es la legitimidad, es decir, el hecho de que las capacidades militares no son suficientes, cuando se emplean sin el reconocimiento de su conveniencia por parte de la opinión pública mundial.

Kagan hablaba de que los EEUU son partidarios de la expresión “cambios” mientras que los europeos lo son de la expresión “estabilidad”. Haciendo una síntesis, queremos cambios que luego sean estables. Pero la estabilidad de los cambios sólo se produce si hay legitimidad en esos cambios, y esa legitimidad en política internacional y en un mundo globalizado y cada vez más interdependiente únicamente la pueden conceder las organizaciones internacionales. Por consiguiente, creo que es posible avanzar hacia un entendimiento, y el propio Kagan lo ha explicado en un artículo que publicó hace 6 o 7 meses, porque Europa puede ser un elemento muy importante para la legitimidad de las decisiones de los EEUU. Creo que hemos de reconocer que en el mundo existen conflictos que es casi imposible resolver sin la participación de los Estados Unidos y en los que, siempre con acuerdo de las Naciones Unidas, debe emplearse la fuerza. Pero, de la misma manera, también hay que convencer a los EEUU de que, aunque ellos son absolutamente necesarios, la legitimidad necesaria para que una intervención acabe siendo una solución estable sólo se puede obtener a partir de las

leyes internacionales, de las conductas internacionalmente acordadas y del consenso internacional.

Creo que este seminario ha sido importante porque hemos de continuar el diálogo, madurando los temas sobre los que tenemos opiniones parecidas y en los que ya podemos colaborar, y asimismo en aquellos en los que las opiniones aún difieren. Todos –incluyendo el Dr. Barry Lowenkron– estaremos de acuerdo en que el objetivo no es tener posiciones idénticas sino posiciones razonables susceptibles de conducir al diálogo y al acuerdo. Además, dichas posiciones deben estar maduras en el corto, en el medio y en el largo plazo, para que los acuerdos puedan ser efectivos en el largo plazo.

Sobre esta cuestión permítanme no mostrar una discrepancia sino ir un poco más allá de lo que dijo Robert Kagan, quien alabó de manera acertada a Europa por su capacidad estabilizadora del entorno. Sin embargo, Europa puede hacer mucho más que estabilizar, afirmación que hago desde la posición de ciudadano español. Europa no ha estabilizado a España, sino que ha sido un motor importante para nuestra transición democrática y, por lo tanto, no podemos reducir el papel de Europa al de mero estabilizador. Europa ha inventado una forma de desarrollar un orden internacional que no pasa por el uso de la fuerza sino (y en eso radica el multilateralismo) por los acuerdos entre las partes que logran la creación de organismos comunes. Además del papel de estabilizador del entorno mencionado por Kagan, el gran papel de Europa es convencer a los demás

países –y no solamente a los EEUU– de que a medio y largo plazo el camino estable y seguro es el de las leyes internacionales, los acuerdos internacionales y los esfuerzos para mejorar el orden internacional que nos tienen que beneficiar a todos. Dicha tarea de convencimiento no será fácil con países como China y la India. Tenemos que seguir trabajando en esta dirección en Europa, en España y en los EEUU.

Si me permiten concluir con una frase que he utilizado en otras ocasiones: “sin los EEUU no podemos resolver ningún problema grave a escala mundial, pero los EEUU solos no pueden resolver ningún problema grave a escala mundial”. Convenciéndonos los unos a los otros de esta proposición, ya tendríamos mucho de ganado. Sólo que aceptemos esta base de diálogo, el diálogo entre nosotros y los EEUU ya puede producir unos frutos muy importantes para nosotros los europeos, para los EEUU y, lo que a mí me parece más importante, para el resto del mundo, que es el que más necesita de un acuerdo entre los EEUU y Europa que permita mejorar la situación de tantos otros países y resolver diversos conflictos. Muchas gracias por su asistencia y, en nombre de todas las organizaciones, les manifiesto que seguiremos en este esfuerzo de diálogo mutuo entre los EEUU y España.



