

Put American foreign policy back on the pitch

By Lawrence Summers Author
alerts

A failure to engage with global economic issues is a failure to mount a strong defence



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Sports coaches know that there is nothing more dangerous for a team than retreating into passivity for fear of making a mistake. Whether it is due to a desire to sit on a lead, or because of nerves following a setback, failing to advance aggressively is almost always a strategic error.

What is true in athletic competition is all too true in the life of nations. While imprudence is always unwise, excessive caution in the name of prudence or expediency can have grave consequences. A nation will never have more power or influence than it has ambition to shape the global system. A sense of fatalism can become a self-fulfilling prophecy as adversaries are emboldened and allies move either to appease adversaries or to provide for their own security.

At a time of high tension in Europe with [Russian adventurism in Ukraine](#), pervasive conflict and [instability in the Middle East](#), and rising tensions within Asia as China makes its presence ever more strongly and widely felt, the choices the US makes will have far reaching consequences. It is no exaggeration to say that there is more doubt about our willingness to stand behind our allies, resist aggression and support a stable global system than at any time in decades.

Effective engagement at flash points is essential but crisis response is never as good as crisis prevention. Somewhat lost as the world focuses on global hotspots is the danger that the US will abdicate from the responsibility it has undertaken for 70 years since the second world war for supporting a more integrated, increasingly rule based and faster growing global economy. It is the success of this project that explains why history played out so differently after the second world war than after the first, and it is this project that won the cold war by demonstrating that capitalism rather than communism was the best way forward for the world's people.

At a time when authoritarian mercantilism has emerged as the principal alternative to democratic capitalism, the US Congress is flirting with [eliminating the Export Import Bank](#) that, at no cost to the government, enables US exporters to compete on a more level playing field with those of competitor nations, all of whom have similar vehicles. Only by maintaining a capacity to counter foreign subsidies can we hope to maintain a level global trading system and to avoid ceding ground to mercantilists. Eliminating the Export Import Bank without extracting any concessions from foreign governments would be the economic equivalent of unilateral disarmament.

No one with any sophistication supposes that the world has seen the last big financial crisis or that we can prosper in a world in crisis. Yet the US, having pushed successfully for big increases in IMF resources and for important reforms in its governance, is now the lone nation blocking these measures from going into effect as Congress is unwilling to pass the relevant authorising legislation. The IMF enables us to do in the economic area what we are unable to do in the security area: place most of the burden for supporting a functioning global system on all global stakeholders.

The vital strategic thrust proclaimed in US foreign policy over the past five years has been the pivot or rebalance towards Asia. This is entirely appropriate given the shift in the global economic centre of gravity. The reality though is that little has changed. The most important potential beneficial change in the next several years would be the achievement of the Trans-Pacific Partnership. Yet the combined prospect that a deal will be negotiated and that it will receive Congressional approval seems much too low for comfort and there is little evidence that the issue commands urgency beyond the relatively narrow international trade community. The prospects for a trade agreement with Europe seem even more remote.

Then there is the economic assistance dimension. When Latin America faced a profound debt crisis in the 1980s, when the Berlin Wall fell and the nations of central Europe and the former Soviet Union needed to transform their economies, when financial crisis struck Asia in 1997, when debt burdens stunted Africa's growth around the turn of the century, the US working with its allies and the international financial institutions crafted strong if imperfect responses to restore growth and hope. No comparably large and generous effort is visible today with respect to the Middle East or Ukraine, even as China is emerging as a larger presence in much of Africa and Latin America than the US.

A failure to engage effectively with global economic issues is a failure to mount a strong forward defence of American interests. The fact that we cannot do everything must not become a reason not to do anything. While elections may turn on domestic preoccupations, history's judgment will turn on what the US does internationally. Passivity's moment has passed.

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