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Pooh-Pooh Pennywise Pols

Washingtonians, Economists, and even a smattering of Wall Streeters have taken leave of their senses when it comes to financing the Iraq war and that country's rehabilitation. The war itself may cost more than \$100 billion, they wail. Postwar bills may add another \$100 billion to \$200 billion to that. "Under these circumstances tax cuts would be irresponsible!" they cry.

Pass the smelling salts to these fiscal hypochondriacs. Then give them some remedial education. The immediate war costs will come to about 1% of GDP. That's less than 1/100 of the proportionate costs of World War II, which we smoothly financed with 2.5% bonds. It's 1/15 of the war in Korea, and 1/12 of the war in Vietnam. Our national debt today is a little more than one-third of GDP, which, proportionately, is significantly less than that of any other major nation.

Cutting tax rates? Here the Chicken Littles turn into Daffy Ducks. Tax-rate reductions *always* lead to a stronger economy. To oppose them because the economy is weak is like telling a pneumonia patient to avoid antibiotics until he recovers. These worriers share one of the least attractive traits of certain CEOs today: a myopic focus on the short term. Short term, we have deficits and war costs to deal with. Tax cuts will, in the long term, mean a more robust economy, better jobs, an improving quality of life and more government revenue. Tax-cut opponents thus flunk three courses--history, logic and math.

Bum's Rush for Butcher's Big, Bad Debts

One immediate matter that Post-Saddam Hussein Iraq faces is the massive debt run up by its monstrous ruler. Experts estimate Baghdad is in hock for between \$60 billion and \$130 billion--and that's not counting reparations for the invasion of Kuwait. Those reparations alone could cost \$200 billion. This level of debt for a nation with a GDP of \$32 billion. The lion's share of Iraq's oil revenue could conceivably go just to servicing those obligations.

The U.S. and Iraq's new government should make it clear that Saddam's debts, for the most part, are not the debts of the new, democratic Iraq. The French and Russians will squawk. Baghdad should inform Moscow that its claims will be settled in the same manner that the Soviet Union honored czarist bonds. As for Russia's pending Saddam-era contracts: They

should be declared null and void. Jacques Chirac should be told: "This is nothing new for 'La France.' After all, wasn't France the biggest buyer of czarist bonds?" Besides, after the 1991 Persian Gulf war Saddam reneged on most of Iraq's debts anyway.

If France gets persnickety and tries to take legal action against the new democracy, Washington should demand payment of France's still-unpaid World War I debts. If the Germans also become difficult, we should dust off delinquent World War I reparations. Creditors should understand: Getting in bed with the devil is not a risk-free proposition.

The UN-run reparations program initiated after the 1991 Gulf war should be quickly wound down. The guilty regime is gone. Its successor should offer to settle claims realistically--say, 20 cents on the dollar over 20 years. The UN-run Oil-for-Food Program should be promptly terminated. Secretary-General Kofi Annan will bellyache because it's been a great slush fund--the UN siphoned off 2.2% of the monies as an administrative fee.

With sensible economic policies, Iraq could easily service the obligations it faces in a generation or two, but not now. To expect it to do so would be similar to telling an organized-crime victim that his new banker is Tony Soprano.

America and Europe--Why We Are Different

Robert Kagan's *Of Paradise and Power: America and Europe in the New World Order* (Knopf, \$18) is the most refreshing, insightful, groundbreaking piece of foreign policy writing since George Kennan's then-anonymous 1947 article in *Foreign Affairs*, which warned of the oncoming Cold War with the Soviet Union and outlined what evolved into the containment strategy that won it. If Bush Administration policymakers in the White House and the departments of State and Defense haven't read this wee masterpiece, they should do so now.

Kagan succinctly, convincingly, lays out why there are such sharp differences emerging between the U.S. and our Cold War European allies; why, indeed, "Americans are from Mars and Europeans are from Venus" when it comes to modern power politics.

"It is time," Kagan writes, "to stop pretending that Europeans and Americans share a common view of the world, or even that they occupy the same world. On the all-important question of power--the efficacy of power, the morality of power, the desirability of power--American and European perspectives are diverging. Europe is moving beyond power into a self-contained world of laws and rules and transnational negotiation and cooperation. Meanwhile, the U.S. remains mired in history, exercising power in an anarchic Hobbesian world where international laws and rules are unreliable, and where true security and the defense and promotion of a liberal order still depend on the possession and use of military might."

Actually, Europe's drifting off into its own self-contained world is an extraordinary achievement of the U.S.' post-World War II diplomacy. Fifty years ago no one could have imagined that a continent that was drenched in blood from conflicts between its various powers would so rapidly evolve into a union in which war between Germany and France would be utterly inconceivable and in which strides toward once-utopian goals of ever-closer economic integration and political cooperation would be the norm. Force isn't even conceived of as a way to resolve differences; instead, there are endless rounds of meetings, negotiations and compromises. Given Europe's current mind-set, the U.S. is wasting its time in trying to persuade the Continent to meaningfully boost military spending.

"The new Europe is indeed a blessed miracle," Kagan rightly observes, "and a reason for enormous celebration--on both sides of the Atlantic. For Europeans, it is the realization of a

long and improbable dream: a continent free from nationalist strife and blood feuds, from military competition and arms races."

The new, self-absorbed Europe can pretty much ignore what happens outside its boundaries. The U.S. cannot. For much of the rest of the world the rule of the jungle, rather than the rule of law, reigns. And if the U.S. doesn't play the oft-unpopular role of sheriff, then aggression and terrorism will surge.

The Iraq crisis starkly, rawly exposed the two differing mind-sets. A blood-lusting monster like Saddam Hussein is not going to be persuaded by diplomatic missions making nuanced presentations.

How is Europe to be disabused of the fantasy that its uniqueness--which ironically exists, and can only last, under the U.S.' security shield--cannot be projected onto the rest of the world?

For starters, Washington should stop hectoring our Cold War allies and, instead, encourage them to continue their inspiring experiment. Europe's internal challenges are immense, particularly the EU's expansion from 15 members to 25 and Germany's and France's need to find the will to initiate fundamental, Margaret Thatcher-like reforms to revivify their stagnant economies. We should tell Europe that America's mission is to create in the rest of the world the conditions that made Europe's situation possible.

Everyone would think heaven had arrived on earth if war between major Middle Eastern powers became as unthinkable as war between Europe's big states is today, if the Middle East evolved, a la Europe, into a strong political and economic union, with a common currency and increasingly open borders.

But Berlin, Paris *et al.* need to be reminded that what allowed the Continent to become what it is was the violent defeat of Nazi Germany, the U.S.' generous postwar help in providing aid and in creating new, liberal institutions, and our military umbrella, which gave Europe security on the cheap. With these things in mind, Europe might not view our diplomacy strongly backed by force as "a threat to Europe's new sense of mission ' an assault on Europe's new ideals, a denial of their universal validity, much as the monarchies of 18th- and 19th-century Europe were an assault on American republican ideals. Americans ought to be the first to understand that a threat to one's beliefs can be as frightening as a threat to one's physical security."

Kagan raps Washington's knuckles for insensitivity and needless tactlessness in its approach to international affairs: "The Bush Administration came into office with something of a chip on its shoulder ' almost eager to scorn the opinions of much of the rest of the world.' [The Administration should] begin to show more understanding for the sensibilities of others, a little more of the generosity of spirit that characterized American foreign policy during the Cold War ' it [should], in short, take more care to show what the founders call a 'decent respect for the opinion of mankind.'"

This doesn't mean the U.S. won't wage war against an Iraq if we believe it to be necessary. But we could do a lot to promote our cause in such a crisis if before things erupt we worked hard to demonstrate that we have sympathy for and an understanding of the concerns and sensibilities of others, even when they don't reciprocate.

While focused on Europe, Kagan's book also makes wise observations about the U.S.' unique role in history, from the time of its birth as a "Hercules in the cradle" to its unprecedented position today. "Americans have been expanding their power and influence in ever-widening arcs since even before they founded their own independent nation.' Their internationalism

has always been a by-product of their nationalism. When Americans sought legitimacy for their actions abroad, they sought it not from supranational institutions but from their own principles."

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