

# Bullish on America

*The United States needs to think more conceptually about how to use its economic advantage.*

BY PHILIP MERRILL

**T**he events of the last two years have conclusively shown that the United States has the most powerful and most operationally versatile military in world history. America is able to project devastating force around the globe in record time—and reaps many significant strategic and political benefits as a result.

While the United States has the right to be proud of its military capabilities, it is worth noting that the military power of the United States pales in comparison to its economic power.

The United States has an \$11 trillion economy—almost three times larger than that of our nearest competitor, Japan. As a point of comparison, America's Cold War adversary, Russia, has a \$350 billion economy (3.3 percent of America's). Put another way, Russia is equal to one Holland, and China is about three Hollands.

It is hard to exaggerate the size and growth of the U.S. economy when viewed from other countries. Brazil, for example, with 60 percent of America's population, has a GDP of around \$500 billion. Fifteen or twenty years from now, U.S. GDP will go from \$11 to \$20 trillion, and one can only hope that Brazil will be striving toward \$1 trillion.

And for the United States, the best is yet to come. It has shown an amazing capacity for productivity growth and economic reinvention. Within the normal business cycle, and savings, surplus, and deficit projections, the

United States will continue to have explosive growth in the 21st century—just as it did over the last two centuries.

In 1962, the U.S. GDP, in today's dollars, was \$586 billion. In just forty years, America has created more than \$100 trillion in new net worth. This is a level of wealth creation without historic parallel. The Spanish control of Latin America, the Dutch trade with the East Indies, and the British Raj in India all look like marginal investments in comparison.

This leads to two core theses. First, the central fact of the 21st century is the enormous size of the U.S. economy compared to that of everyone else. Contrast this with the dominant political fact of the 20th century—the growth of huge military forces in the hands of totalitarian states that were willing to use them. This is a kind of tectonic shift

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that has been recognized more by other countries than by Americans. Americans realize they are rich and powerful but don't completely realize by how much.

One country that does understand is China, which has been concentrating its efforts on growing its economy.

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Compared with Russia, for example, China has been quite successful. Russia, despite a very well-educated population with huge technological skills, produces nothing that is competitive in world markets except for energy and other natural resources

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such as gold. China has a \$100 billion trade surplus with the United States and has Wal-Mart as its distribution agent—with \$12 billion in annual sales to that one company alone.

Taken as a whole, the world sees the United States as a Gulliver to be tied down with Lilliputian strings through various multilateral institutions and treaties as well as other legal instruments.

Second, while the United States has gained a great international advantage from its military, it has yet to make sufficient strategic use of its economic assets and wealth to advance its national interests and ease the burden on its military.

Just as there is no other military power that can overwhelm the United States, so is there no other economic power that can displace it. The United States needs to find new ways to marshal its economic assets to its advantage just as it has used less than 4 percent of its GDP to marshal its military assets. Overwhelming military capacity is a reflection of America's wealth, not the cause of it. Put another way, the United States should get more comfortable with the idea of using its money for non-military expenditures that support our national interests.

A sharp distinction should be drawn between the responsible exercise of economic power and foreign aid. Aid is intended for humanitarian needs. The American people have wonderful charitable impulses, but those are not the topic here.

Basically the United States got it wrong after World War I. It won the war but lost the peace. The United States got it right after World War II, largely by understanding that the key to avoiding yet another world war was to put people to work. The Marshall Plan, applied at a time when the United States had a lot less than it does now, ensured peace and prosperity throughout the Western world through a combination of loans and grants offered to friends and enemies alike. That the Russians refused Marshall Plan aid became their problem. That they prohibited Eastern Europe from accepting it became their tragedy.

More than anything else, the United States was able to preclude the militancy and anger of large numbers of unemployed young men with military experience and capability, the kind of men who were so instrumental in the mobilization of Nazi Germany and the Soviet Union.

Today's threats do not emanate from large bureaucratic military machines. Nor is there much uncertainty for the moment about what these threats are, although there is plenty of uncertainty over how to deal with them. Weapons of mass destruction in the hands of three or four third-world rogue states are obviously the principal threat, along with the transfer of these weapons to non-state actors who would use them mercilessly and unhesitatingly.

And there is the corresponding threat of terrorism *per se*, which now comes with the support of large numbers of what should be decent, ordinary people. Militant religious fundamentalism, however, has been present for many centuries and new ways of dealing with it through improved intelligence and related means need to be discovered. For some of these threats, military responses are necessary. As in Afghanistan and other places, America may be required to send troops very far afield, and concepts akin to the British strategy of "find and strike" will become more relevant. The United States has proven that it can find and defeat non-conventional foes in difficult environments and will get even better at it.

Yet no military officer believes that force is the answer to all of these problems. Many in the military have been especially concerned about underutilization of communications skills—at which the United States excels—in Iraq and other places to explain U.S. policies. And they are equally concerned about a similar reluctance to use U.S. wealth to reinforce or supplant its military.

It obviously makes sense to illustrate this argument with the specific case of Iraq, which is at the top of the U.S. national agenda. Iraqis need to realize some economic value today in order to establish the physical security, political stability, and economic development their country needs and to which the United States is fully committed. In order for Iraqis to achieve

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self-sufficiency, Americans must marshal and deploy their economic resources as effectively as has been done militarily. The objective is a vibrant Iraqi economy where jobs and opportunities trump terror.

Over the long run, the United States will need to think more conceptually about how to use its wealth, its economic resources, and its communication skills, and perhaps employ some unconventional thinking, to advance and support America's national interests in the world. ◆