

In the Eye of the Storm: The Policy Taker and the Policy Maker

Steven Weber (UC Berkeley) and Janice Gross Stein (University of Toronto)

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Take One: Forty-eight hours before the inauguration of President Obama, his officials receive alarming intelligence that a group of Somalis plan to cross the border from Canada to disrupt the inauguration, possibly to firebomb the reviewing stand. Officials scramble to evaluate the intelligence, to consider options, and to make contingency plans. Only hours before the inauguration do they decide to take the risk and continue with existing arrangements. After the inauguration is over, it becomes apparent that the intelligence was faulty, planted by a group of Somalis anxious to discredit their rivals. Yet, for the most senior officials in the Obama Administration, this was their introduction to Canada....

Take Two: In the wake of the failed attack on a Delta aircraft approaching Detroit on 25 December, Pearson Airport in Toronto goes to the highest level of security alert. It immediately adopts enhanced security measures, even before they are made official by TSA officials in Washington. Lines for security snake through the airport and some passengers spend eight hours waiting for security checks. Almost three months after the failed attack, security at Pearson is stricter and more onerous than at most airports within the United States. Passengers must arrive at the airport at least three hours before their approximately one hour flight to New York. A colleague travelling to this conference described the lines, the wait, and the frustration as “similar to the last days of Saigon.” Business travellers fumed at the delay, the inconvenience, and the cost. No relaxation of security measures and restrictions on carry-on baggage is in sight. Canada cannot afford even one breach of security, not one.

As is apparent from these two recent brief—and true—vignettes in the Canada-U.S. relationship, the United States is overwhelmingly the policy maker and Canada is a massive policy taker. And Canada bears a disproportionate share of the risks: in its security relationship with the United States, it cannot afford a single error. This is a standard that no

country can meet, in perpetuity, and in this sense, it is only a matter of time before someone crosses the border from Canada with the intent to do harm. Nor is it likely that in the near-term future, the threat of acts of terror within the United States will diminish; the United States continues to be the focal point globally of jihadist hatred. It's a very long border; and Canada is a very big country.

Is it any wonder that Canadian leaders and officials obsess about the border and its management? They plead for greater investment in border security—although Canadian investment in human resources in the last decade is less proportionately than that of the United States. They develop ingenious schemes of extended sovereignty, where the U.S. border pushes physically forward into Canada—and for sake of legitimacy by reciprocity—the Canadian border pushes into the United States. Drawing on the model of U.S. officials who work “deep inside” Canada at all its major airports and pre-clear passengers, planners design elaborate architectures of overlapping sovereignty to pre-clear cargo, trucks, and cars as they do airline passengers. Although there is no limit to official ingenuity and creativity, no limit to how “smart” the border can get, there is little to show for a decade of negotiation and effort.

What we have, unlike Europe, is a thickening and overwhelmingly dumb border. Continentalists in Canada, who came of age in the age of free trade and NAFTA, plead for much better risk management by the United States, a polite word for profiling. This is largely a conversation that Canadians are having with themselves, with the occasional intervention by the U.S. Ambassador in Ottawa. Not much more can be said, although it will be, and not much is likely to be done. The policy-maker is unlikely to subcontract its security on any border to a policy-taker, no matter who it is. Nor is it clear that, even if it were available, Canada should want the contract, since it cannot either prevent failure or insure itself against its costs.

It is little wonder that Canada sees the border as a fortress. The trade relationship is sharply asymmetrical on just about every dimension that matters. Canada's exports as a percentage of its GDP are 40%, while those of the United States are 13%. Fully seventy-five percent of Canadian exports—(down from 85% a decade ago, but still extraordinary)—go to the United States and much of this is intra-firm trade, while only 27% of U.S. exports

come to Canada. Some of the asymmetries may be smoothed out by what Canada actually sends to the United States of course: Canada is the largest supplier of energy to the U.S. market and has the world's largest proven reserves of "dirty" oil bound up in shale rock and the like. That's important to the relationship, but it is also not as irreplaceable as some Canadians would like to believe.

As the transaction costs of crossing the border go up—whether the border is pushed forward or remains where it is, is immaterial as long as the transaction costs continue to increase—Canadian business is gingerly craning its neck to look beyond the U.S. market. Giraffe-like, Canadians are beginning to look toward Asia to avoid the costs of scaling the wall. There is much talk of the Asia-Pacific gateway, of Canada as a Pacific power, talk that accelerated as the U.S. economy plunged into deep recession. The sober-minded know, however, that the United States will remain Canada's largest export market, no matter what else Canadians do. Certainly there will be some changes at the margin, but Canadian exporters are creatures of habit and exporting south is still easier, no matter how hard it seems to be.

Stymied by geography and frustrated by a thickening border, force majeure the Canadian chattering classes turn away from the unforgiving realities of the bilateral relationship to the global agenda where Canada can partner with the United States and, possibly, make itself visible and valuable. The just retired Canadian Ambassador to the United States, Michael Wilson, concluded that it is extraordinarily difficult for Canada to get attention in Washington; it is simply one among the multitudes. When Canada works on a global issue that matters to Washington, however, it stands out from the crowd. Canada's decade-long contribution to Afghanistan—even when the United States became distracted in Iraq—merited U.S. attention and gratitude, or so the argument goes. Canada needs to demonstrate its value proposition, again and again and again.

That this argument is not transparently correct should not distract from its political and psychological utility. It is not at all clear, as Canada prepares to withdraw from Kandahar, that robust and tangible benefits have accrued to its relationship with the United States for its extraordinary effort. The Canadian effort may well be yesterday's story to U.S. security officials. Such details aside, the argument remains psychologically attractive – Canada

escapes, even momentarily, from the unforgiving realities of the bilateral relationship—and politically attractive—as the Canadian public supports engagement on the global stage.

But remember: Canada is the policy taker. What the United States does globally, how it defines its agenda for the coming decade, how it thinks about global burden sharing and the provision of global public goods, how it thinks about the architectures of global governance, what discount rates the United States uses for climate change and conflict prevention, will shape the space for Canadian policy innovation on security issues. The remainder of the paper lays out alternative futures and threads likely Canadian responses through these futures.

America's View of its Global Presence, and Canada's Niche

2009 brought two important bursts of reality into mainstream American foreign policy discourse. The first is that the next phase of America's global engagement can't be defined for very long simply as "not George Bush". The global sigh of relief in January 2009 was just that: A (long deep) sigh, followed by a drawing in of breath and an anticipation of something different. The Obama Administration masterfully stretched out the timeline of positive atmospherics. The immediate public relations boost was real, it was (nearly) global, and unprecedented in scale. It was also temporary, to the extent that it rested principally on public diplomacy and rhetoric.

When it comes to substantive action, the record has been thin and the response unsurprising. Opening up the G-7 to a broader G-20 constituency was positive, but what choice did Washington really have in 2009? Where the choices were real, highly visible, and symbolically charged for others -- the 'fight' over Israeli settlement activities, the 'surge' in Afghanistan, the sale of advanced weapons systems to Taiwan -- the policy arrows are seen as pointing backwards not forwards. The next phase will demand a positive, conceptual articulation from the Obama Administration about how it sees America's presence in the world evolving toward 2012, with substantive policy decisions that follow from and reflect that concept -- a much harder task.

The second burst of reality was the final death of TINA. “There is no alternative” -- a phrase resurrected from Herbert Spencer’s writings by Royal Dutch/Shell scenario planners in the early 1980s and later popularized in politics by Margaret Thatcher -- told a story about a world in which the distinctively and self-consciously ‘American’ package of liberal democracy, ‘free market’ economic ideology, ‘free-ish’ trade, and consumer-driven societal norms was the only imaginable way to organize a modern state. Criticize TINA all you want as a silly re-invention of bad modernization theory, a solipsistic self-justification for geopolitical narcissists, or a great opportunity for absurdist stretching into best-seller books like “The End of History” and “The World Is Flat”... but don’t ignore its behavioral significance for countries and leaders trying to make sense of their options in dealing with American power during the 1990s and some of the first decade of this century.

TINA is a wonderful argument for a declining hegemon to make to others (regardless of whether it is true). Because what TINA really said to others was this: As much as you may not like particular aspects of US foreign policy, the outputs and outcomes of international institutions and negotiations that are shaped and sometimes dominated by the US, be aware that the alternative -- to the extent you can even imagine one -- is much worse. Put simply, if you believe in TINA, then the alternative to American-led order is not some different and possibly better ordering system. It is chaos. A choice between an American-dominated order and the iconic image of chaos -- 1930s-style beggar-thy-neighbor defections from agreements, free-riding on (non-existent or deeply insufficient) efforts to provide public goods, crumbling security arrangements -- is no choice at all. And thus, there really is no alternative to staying in the game as defined by Washington and doing your best to tweak the outcomes at the margin.

Outside of North America, at least, the TINA argument is in 2010 finally done with. That’s not to say there exists yet a fully articulated alternative set of world order principles with a coherent ideological foundation, an unassailable political base, and sufficient military-economic power to sustain it -- emanating from Brussels, Beijing, or somewhere else. But that’s not a relevant concern because it is not the bar that alternatives need to reach. Global systems are not like scientific theories, where replacing one requires another to do everything that the previous theory (or system) did plus something else, or do it ‘better’.

They just need to attract sufficient interest from populations that are dissatisfied with the existing system, that they are willing to experiment with alternatives and accept the risk-benefit calculation that entails. The evidence for that willingness is now widespread across the globe. Welcome to an era of 'normal' international politics.

What this means for American foreign policy is at once simple and profound: It is becoming axiomatic that US foreign policy strategies cannot be premised on the presumption that other global players will (or should) hold a similar set of understandings about priorities and trade-offs in world politics. They often will not do so, and for their own (sometimes very good) reasons. In that context, effective and sustainable strategies for initiating international cooperation depend as much on shared understandings about the nature of those differences, as they do on tight compatibility of interests among a very diverse set of players (which will be rare). Which means that Washington will gradually be driven to articulate a more precise set of terms around big foreign policy trade-offs that matter for the next decade.

Big challenge number one for the Canadian political and economic elite to confront: Are we nearly the last believers in TINA? And will that be a plausible position from which to manage the cross-border -- much less the global -- relationship with the US in 2020?

On a more granular level, the opportunities for Canadian presence and innovation on security as well as other issues fall essentially into two categories -- influence and arbitrage. Canada can try to assist and instruct the American foreign policy elite, which is not used to confronting fundamental trade-offs, in the gut-wrenching process of dealing with the new-ish reality of not being able to have your cake and eat it too. Canada can also arbitrage around and against the American choices, which (like any foreign policy decision making process) will evolve gradually, imperfectly, and with lots of political friction.

Ottawa has certainly done both in the past and it is likely that Ottawa—and the provinces—will have to do a bit of both in the future. To be good at it, and to get the balance reasonably right, Canadians will need to have a fairly sophisticated and integrated understanding of what trade-offs the US foreign policy elite sees as most important to

confront. We suggest three that are on the agenda and consider what options they present for Canada.

Trade Off #1: Global Burden Sharing in the Provision of Public Goods

It's no longer interesting to hear American academics and/or policy makers proclaim (as if it were something new) that there has been a diffusion of power from the United States to other states, and from states to non-state actors. The only interesting question now is, what does the United States want to do with and about that diffusion of power? Is it a trend that Washington wishes to accelerate, impede, ignore, or shape in some specific directions?

Let's take the non-state actor issue first. A mainstream view among American opinion leaders seems to hold that the overall diffusion trend to non-state actors will continue, with minor changes in the roles and locations of important organizations and individuals. Radical groups that span boundaries between political parties, social movements, transnational criminal networks, and governments -- like Hezbollah and Hamas -- will remain ideologically problematic, but of minor practical significance, policy irritants rather than significant threats. 'Super-empowered individuals' that act on a global stage, the truly large corporations, and globally impactful NGOs will still disproportionately have their 'homes' in the U.S., and their activities will reflect marginally, and mostly for the better, on America's power and reputation. The net impact of these actors on global problems will be mildly positive and generally consistent with U.S. policy goals in global health, security, and economic arenas. In other words, it's mostly good news for American foreign policy, if much news at all.

The one exception to this generally benign analysis of the diffusion of power to non-state actors are those networks with a global agenda and a global reach that seek to destabilize the United States and its allies. Al-Qa'eda is the icon, but in no way the only example we'll see in the next decade. The good news about Al-Qa'eda is that it is unlikely to have the capacity to inflict serious punishment on the United States. The bad news is that it has a

significant capacity to distract and to raise the transaction costs for others of engaging with the United States. The increasingly rigid border, higher and growing barriers to entry are all consequences of al-Qa'eda's continuing operations against the United States -- and the pain has been felt by Canada at least as much as anyone else.

Canada pays a higher price every time that distraction occurs, as do others—companies, people—who want access to American markets and society. Essentially, the United States is exporting quite a lot its security adjustment, even though it bears the direct costs. If the distraction continues—as we expect it will, will Canada—and China and Japan—seek to go around US markets? Will they send their students to study in Britain rather than in the United States to avoid the transaction costs of visas? Will the US become less of a global magnet? At what threshold do these barriers to entry inflict costs so large that Canada and others begin to invest seriously in alternatives? Or see each other as such? The way the United States makes that trade-off will shape the future of the Canada-US bilateral relationship.

Many elite policy communities outside the United States worry about the eroding confidence in state capacity, although for different reasons. It's expected that international NGOs, foundations, private firms, and perhaps even super-empowered individuals will fully take over key government functions in 'failing' states. It's also recognized that these groups and individuals will increasingly come from outside the United States: Not only Bill Gates and CARE; but also Richard Branson and Médecins Sans Frontières. There is a much deeper and more unsettling expectation, that highly influential non-state actors are about to emerge rapidly and visibly from the developing world: perhaps Lakshmi Mittal, a Hutchinson Whampoa or Dubai International Capital Foundation.

There is outside the US simultaneously ambition, and anxiety, about these developments. Some fear that the rise of non-state actors could further undermine operational sovereignty norms for states in what is already a very confused situation. There are deep concerns about accountability: To whom are these non-state actors ultimately responsible? Who monitors these unelected? There is fear of overly concentrated influence, analogous to what

Americans would think of in market settings as an anti-trust dilemma. In other words, charismatic super-rich individuals or foundations with extraordinary wealth, aggressively entrepreneurial leadership, a for-profit mindset, and strong ties to business, may find themselves in (or even seek to engineer) situations that in the non-philanthropic world would be seen as unacceptable concentrations of power.

What role for non-state actors in the global 'division of labor' would the United States like to see? The baseline position for many Americans, when thinking about the division of labor in providing public goods to a society (not only our own but those where NGOs and foundations operate abroad), is 'pragmatic problem solving, with skepticism about government'. Put differently, whichever sector is best positioned to solve problems efficiently ought to do so, with the starting proposition that government is likely to be less efficient than others until proven otherwise.

The massive expansion of the US government's role in the economy during the 2008-9 acute phase of the global financial crisis is really the exception that proves the point. Government certainly stepped into the banking sector, the auto sector, the insurance sector, and other 'naturally private' parts of the US economy but only under truly unprecedented circumstances and only when fear of cascading collapse overwhelmed ideology and even most politics. When the panic subsided, the support for intervention did as well and the ideological push-back began to mount.

That process is nowhere near complete, and its resolution depends a great deal on how this extraordinary experiment turns out (and is perceived and interpreted to turn out). If things go well, the political center in America will probably migrate a bit toward a friendlier perspective on government -- but certainly that will leave the United States still far to the 'right' of most Canadians. If things go poorly, a neo-conservative counter-reaction that powerfully rejects a state role in capital allocation and American industry even more fully than it did during the 1980s is very likely. Which way the United States goes will matter profoundly to the global security agenda and to relationships with allies, including Canada.

Among many close allies, notions of distinctive responsibility and mission, not just efficiency, still attach powerfully to the public sector. This ideological difference may create a peculiar bias against American-based non-state actors and philanthropic players. They think they can do 'better' than the state at providing public goods, but that's not always the point of the argument in the eyes of those being 'helped'.

The US could position itself as a post-ideological, technocratic problem solver providing basic human needs like clean water and vaccinations, in a world that is tiring of ideological battles. There's a constituency for this kind of choice in Washington, although not a dominant one -- yet. But this kind of choice would be welcomed by allies of the United States, especially Canada, and would enable much better horizontal sharing of responsibilities. Recent American and Canadian collaboration in Haiti is a case in point. Should the United States make this choice, it will be far easier for Canada --and others--to join together in security and welfare partnerships.

Trade Off #2: Process, Power, and Policy

Will the United States continued to obsess over unilateralism, multilateralism, ad hoc coalitions of the willing -- to the detriment of actually getting things done? Arguments about foreign policy that put institutions and institutional formats first and foremost miss the point of what most people in the world can actually afford to care about just now. It is worth noting, by the way, that process--and a declaratory preference for multilateralism over "unilateralism" is even more of an obsessive preoccupation in Ottawa than it is in Washington. That obsession has profound implications for Canada's capacity to work with the United States on a global security agenda.

These arguments do carry a real emotional valence -- in Washington as well as in Ottawa. Unilateralism means strong to some, short-sighted or stubborn or imperial to others. It conveys determination and purpose to many, and a failure to understand the complexities of the world to many more. Multilateralism is just as loaded a term. It sounds less resolute, less effective, less favorable to the United States. Or in the minds of some, it connotes a

reasonable willingness to work with other global players according to at least a partial set of rules of the road.

But the debate over whether unilateralism or multilateralism are good or bad general principles for US foreign policy misses the point. International politics is always a bargaining game. Unilateral action never determines a long term outcome; it is just a single move in an iterated process -- in which other players get to make the next move. And multilateral action does not imply the view that other players' preferences and aspirations are as important to us as our own.

The underlying issue here is about the relationship between leadership and bargaining positions. It is about deciding what kind of global leader the US wants to be in the next decade; and having just as clear a view of what kind of leader other players in world politics will accept as legitimate. Because that understanding is a critical part of what differentiates a 'bargain' from 'coercion'.

Let's be straightforward: the 'rest of the world' is at this moment powerfully ambivalent about the notion of US leadership, no matter what. And it is particularly ambivalent about US leadership in what are presented as on-going bargaining games.

America is no longer the 'indispensable nation' in the eyes of much of the rest of the world. On many issues, the center of global political gravity has shifted from "America must lead" to "America must participate" -- at best. There is a less prevalent but significant and growing perspective that sees even US participation as no longer absolutely necessary -- or desirable. There are global players, individually and in groups, who are increasingly ready, willing, and able to 'route around' the US and move on global issues without US contributions if the US stands aside.

Let's pose the simplest strategic question: Is this a good or bad thing for the United States? Let's not forget that generations of Americans have struggled with the perceived responsibilities of supposedly having to be the 'world's policeman'. Leadership can sound more attractive in theory than it sometimes is in practice. It carries with it the patina of great influence, but also can reduce in important ways freedom of action, the ability to take risks and experiment, and the opportunity to free-ride a bit on the efforts of others.

The single most important decision Americans need to make about leadership is this: To what extent, and with what instruments, can and should the United States encourage greater burden sharing, and even alternative centers of control, in the provision of global public goods? Americans need to be crystal clear on our views here before anyone starts obsessing about multilateralism, unilateralism, ad hoc coalitions, and other questions of institutional shape and process.

Elites outside the United States recognize that the US does provide a disproportionate share of some critical global public goods, particularly when it comes to security. Some are not shy and quite explicitly state their intention to free-ride on that situation for as long as possible. It goes without saying that Canada has benefitted from US resources in the defense of the North American continent. Of course, the United States stands to lose over time if rising powers are allowed to endlessly free-ride. But if the US were to bargain seriously for greater contributions from others, Washington would almost certainly have to share decision-making power as part of the trade. That's the real trade-off that Washington will confront.

In concrete terms this dilemma will continue to emerge most sharply with regard to China. A China that contributes as a 'responsible stakeholder' to global public goods, will surely want to be more than a silent partner or junior associate when it comes to decision making. 2009 saw that issue emerge around the G-20 and the IMF. In early 2010 it drew headlines around carbon, around Iran, and around US arms sales to Taiwan. It won't stay confined for long. Along with the responsibility to make greater contributions, a stakeholder gains the right to have a greater say in the rules of the game regardless of the issue-area or extant institutional structure. If burden-sharing also means the sharing of decision rights, is the US ready to take 'yes' for an answer? Most importantly, is Washington ready to take a 'yes' from Beijing?

Whether or not the United States is ready to take "yes" for an answer will matter profoundly to Canada. Rhetoric aside, Canada has benefitted enormously from living next door to the global leader. At most, it has had to invest in securing the northern door, and when it needed help, it was confident that help would be forthcoming. Governments in Ottawa could talk the talk of greater voice even as they quite happily walked the walk of

very unequal burden sharing. For Canada, then, the question becomes: Should the unthinkable happen and the United States start to say “yes,” how much greater a burden is Canada willing to bear? In other words, beware of what you wish for... on both sides.

Trade Off #3: Discount Rates, Climate Change, and “Prevention”

Are human beings ruining the planet for future generations? Does the United States care?

In the 20th century -- the so-called American century -- the earth’s population quadrupled. During the same period, industrial output increased by a factor of 40. Energy use increased by a factor of 16. Fish harvesting increased by a factor of 35. And sulfur dioxide emissions increased by a factor of 10.

That’s an extraordinary record -- of efficiency as well as wealth creation. Just four times as many people, enjoying 40 times the industrial output -- with only 16 times as much energy needed to produce it. If the earth had unlimited resources and unlimited capacity to absorb carbon and other waste streams from these systems, we’d be cheering ourselves forward along exactly the same trajectory and celebrating the decreasing energy intensity of production as if it were humankind’s greatest achievement. But it doesn’t.

Sometime around 2005 it became fashionable in the United States to worry about numbers like these. In many respects that’s simply catching up to a mindset that many others on the planet, particularly but not exclusively in Northern Europe, have held for some time. A late start notwithstanding, America’s financial and technology assets combined with dogged determination mean that others pay attention. What this means for Canada depends on precisely what it is that Americans are doing, and not doing, as a result of the new-found orthodoxy. And what Americans tell, suggest, pay, and cajole others to do and not do.

On this issue, more than any other, Canada is explicitly a policy taker. Prime Minister Harper has told Canadians that he will wait for the United States to determine its environmental policy and Canada will follow suit. It makes no sense to do otherwise, he

argues, in a shared North American environment. This argument conveniently ignores that carbon emissions are the most divisive issue politically in Canada today—pitting Alberta against the other provinces. It also ignores the importance of Alberta's tar sands to the future energy mix of the United States. Back then to the discount rate of policy makers in Washington.

It is not right wing ideology or denial of climate science, but simply basic economics, to recognize the reality of opportunity costs that accrue to foregone choices. This is true of the environment just as it is of anything else. If we could rewind the tape of history and replay the last several centuries without the industrial revolution would it be beneficial to do that? The air would be cleaner; the oceans less acidic; the earth probably a degree or two cooler. But we would also be strikingly less wealthy.

The trade might be worth it, or it might not be. That is a judgment we can't usefully make about the past. But we absolutely need to make these kinds of judgments about the future - - because trade-offs are necessarily part of the game.

And that's the third big trade-off dilemma facing US foreign policy and anyone else trying to make sense of it. By what rhyme or reason are Americans calculating their discount rates in foreign policy decisions? Rough estimates don't help much. Because the discount accumulates like compound interest over time, an exquisitely small difference in today's discount rate can justify a very big difference in policy and outcomes ten years out.

These kinds of arguments constantly come up in traditional security questions, not just the emerging environmental issues. Here's a poignant and timely example. During the 1980s, the United States supported, trained, and equipped groups of rebel fighters, or Mujahedeen, against the Soviet invasion of Afghanistan. A good bit of that human capital that Washington invested in and sustained, later re-purposed itself as something called Al-Qa'eda. Other parts of that human capital went to the Taliban. Some of today's most violent and troublesome Afghan warlords were 'freedom fighters' a couple decades back when they fought the USSR, with both covert and overt American support.

It's easy to call these kinds of things 'blowback' or 'unintended consequences', as policy analysts often do. Perhaps they should drop the euphemisms and just call it 'stupidity'. Let's get serious about the 'unintendedness' of consequences. What did Washington think the Mujahedeen would do with themselves, after they convinced each other that they had defeated and driven from their homelands one of the two infidel superpowers?

It could well have been stupidity and blindness, or just a failure to think ahead a few moves in the game, that led us down this path. But what's forgotten in that story is that it could have also been a reasoned and strategic calculation. When US leaders made the decision to invest in the Mujahedeen, we viewed the Soviet Union as a serious and immediate threat to American security interests. Moscow had just invaded one of its border states to prop up a client government. The US saw itself as weak and exploited. We were falling behind in the strategic arms competition. Two oil shocks, the loss of the Vietnam War, a recession, and a sense of 'malaise' had overcome much of America with a paralyzing sense of doubt.

To put it simply, it would have been a defensible strategic calculation to say:

- ▶ Let's impose significant costs on the Soviets now by investing in their enemies.
- ▶ Let's worry later about the costs that may accrue to us in the longer term, because...
- ▶ If we are successful in weakening the Soviet Union and strengthening ourselves in the short term, our resources and abilities later on to deal with the long term negative consequences (which may or may not surface after all) will be so much greater that it all makes sense.

'Defensible' does not necessarily mean prudent, correct, or smart. That depends entirely on how decision makers estimate and weigh the short and long term costs, how they assess the probabilities, and -- most sensitively -- the discount rate. If the three most significant issues facing Washington today are Carbon, China, and Iran, the discount rate is critical to all. A very small difference in the discount rate drives a very big difference in policy stance toward each of these issues.

The appropriate discount rate is not a brute fact given to anyone by a theory of ethics and it is not a constant that can be derived from economic theory. In fact there is no general solution to the problem of knowing what your discount rates should be. What we do know is that the two extremes make no sense. An infinite discount rate says that the future matters not at all -- and only under the most dire circumstances and for very short periods of time do humans live this way. A discount rate that is effectively zero means we are willing to impose no costs at all on the future for what we do today. This may appear at times ethically defensible -- as in naive formulations of 'do no harm' -- but it doesn't make sense when you look more closely. Was it really an ethical responsibility to sustain the anopheles mosquito for future generations, rather than build the Panama Canal? In between zero and infinity is a very large range.

This is a highly critical lever for enabling and sustaining international cooperation around environmental and security issues. A presumptive leader in this effort will need to deeply understand the concept of discounting and be able to explain and justify it to both domestic and global constituencies. Most challenging will be to find common ground with states and societies that feel insecure, committed to and dependent upon very short term growth prospects, and lacking in the stable institutional infrastructure (and dare we say it, perhaps in some cases the cultural legacies) that tend to lengthen the shadow of the future and thus modify discount rates. Discount rates can probably be changed through persuasive reason, but it won't be easy.

The presumptive leader will need the credibility to promise today actions in the future that sustain the benefit stream over time for costs incurred now. The further in the future these expected benefits are to arrive, the more important the credibility of the leader at this moment. The simple mathematics of compound interest again explain why: It doesn't take much of a discount rate to make the net present value of almost anything good in the reasonably far future perilously close to zero.

And the presumptive leader will need 'embedded optimism'. It's important to remember that not all societies and cultures share this peculiar trait -- to believe that the future can and will be better than the past.

The challenge of articulating legitimate discount rates across a vast range of global concerns is probably the broadest issue that foreign policy decision makers face. Do Canadians understand how this debate is taking shape -- indirectly and sometimes vaguely, and surely never carrying the label 'discount rate' with it, but nonetheless inexorably -- in America? They need to understand it at least as well, and hopefully better, than Americans themselves do.

What policies Washington makes and Ottawa takes, what state and provincial governments do together or separately, will shape security in the deepest meaning of the term.