

Talk before the 21st Century Club of Cleveland, Ohio, Friday, September 20, 2008

This has been a traumatic week in the American economy. And it is not over yet. But, while all eyes are focused on the immediate financial crisis, there are aspects of it that we need to examine in order both to understand where we are and also to see what we need to consider as possible ways to work toward a more secure future. So I propose like to try to put what has happened within a historical framework and to show how foreign affairs has impacted upon it and then briefly raise some ideas on what we need to consider for the future.

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I begin with what has so far happened:

Like all of you, I am sure, I have been fascinated by the events of this week on Wall Street. Having been born in the Great Depression, I thought I was seeing a replay of 1929 or 1932.

While Merrill Lynch (which had lost \$45 billion in mortgage investments) has been bought – at huge discount -- a fall from about \$90/share in 2007 to a discounted price in Bank of America stock of about \$23 now -- Lehman Brothers was not “rescued” and has gone out of business. Lehman had total assets of \$639 billion. That is that is roughly 10 times the size of Enron when it collapsed and more than the total Gross National Product of most countries, even our large southern neighbor Argentina. Firms thought to be sound condition saw their stock prices plummet. Goldman Sachs dropped 19 percent and Citigroup fell 15 percent.

As you know, the whole stock market took a major hit. But as you also know, optimism – or greed -- springs eternal and the market is up sharply this morning. Most sober investors don’t think the worst is over yet. Coincidentally, I was at a board meeting of one of the Fortune 500 companies yesterday where a Nobel-Prize laureate in economics analyzed the situation for us.

So the question is still with us – why did this happen?

The answer is, I believe, much more complex than the press or even market analysts tell us. It may be literally vital to our national economy to understand it.

The easy part of the answer is this:

Investment banks found a new way to make extra money. They would buy the loans made by mortgage companies and banks, enabling the original lenders to get their money back quickly, “pool” them, sell them under a new label and profit from the difference between the face value of the repackaged loan and what they had to pay for it. These activities were unregulated and the traders in these speculative issues made huge bonuses. In the never-never land of derivatives and their off-spring, all ideas of real value disappeared. But even in the relatively more sober mainstream of mortgage lending, a sort of frenzy developed.

No one – neither the government, nor the sellers nor even the buyers seemed to care that the difference in real value between the buying and selling prices were huge.

Both lenders and borrowers worked on the assumption that prices would continue to rise. If they had, then the difference between the mortgage and resale value of the house would widen so that the mortgage holder, the house owner, would register a paper profit and the lender would be protected. In a falling market, of course, the reverse happens.

A collapse was ultimately inevitable. The only question was what would happen then. Put another way, it was who would bail out the speculators.

Here, a bit of old fashioned business prudence may come into play. As my grandfather admonished, “if you borrow a big amount of money, you acquire partners who will have to help you if you get into trouble so never borrow a small amount of money. If you do, you will suffer all alone and can be ruined.”

The big players generally did not make that mistake. As money was made cheaper to borrow, dropping from 6.5% to about 1% after 2001, banks took advantage of the drop to lend more money. The survivors were those who lent so much that they could not be allowed to fail. The biggest of all was AIG (American International Group) which the government had to bail out, becoming in effect its partner, with an \$85 billion loan. Lehman Brothers, huge though it was, was small enough that the government judged it could be allowed to fail. Bear Stearns and Merrill Lynch fell in between and were forced into a sort of shotgun wedding with companies – J P Morgan and the Bank of America -- that could salvage them. I wouldn't bet on several others including the \$230 billion Washington Mutual Savings and Loan Association. It may suffer the fate of Lehman or perhaps AIG.

Buyers of houses individually did not challenge the economic system sufficiently to acquire the government as their partner. They borrowed as much as the banks would lend – and the banks dropped all pretense of prudence, lending mortgage money with very small or no down-payments – and they had no effective means of forcing the government to aid them. So far about 10 million Americans have lost or are losing their houses because the resale value has fallen below the mortgage debt. As a result foreclosures by lenders have risen 60 percent more than last year.

As house owners defaulted, the investment banks which had got into this specialized market required extra money to shore up their positions, and when they failed to get it quickly enough, their own credit ratings were downgraded. That made it harder for them to raise money and caused their trading partners to pull back from dealing with them. This, in turn started a ripple effect that is likely to affect smaller banks, mortgage companies and businesses across America.

These banks and their customers thought they were safe because, since the days of the “New Deal” they have been insured by the Federal Deposit Insurance Corporation. The FDIC was set up in 1933 to avoid runs on banks that typified the Great Depression. However, these funds are limited – this month they stood at about \$45 billion -- and are likely to be exhausted soon.

The answer to these events, ironically, is a form of socialism: that is, government intervention in the economy not as a regulator but as an investor. In the first step, the government forced the sale of Bear Stearns to JPMorgan Chase. In the second step, the huge mortgage companies, Fannie Mae and Freddie Mac, which have had to write off billions of dollars, have been effectively nationalized. From AIG, the government extracted a 79.9 percent equity stake. Even in Citigroup, the government will probably become an investor. In the third step, the government proposes to put about \$700 billion into the financial market. Franklin Roosevelt would have been astonished that a Republican administration went far further down that route than he was bitterly criticized for doing.

Now the government will face critics on both political wings: the more free-market Republicans are sure to oppose the role the Secretary of the Treasury thinks necessary while the more liberal Democrats will have trouble justifying a massive infusion of public money to bail out the banks when some ten million Americans who lost their homes get little or nothing.

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These are the most dramatic events and they have captured the headlines but of at least equal long term importance are a series of others.

First, the impact on employment is already large. Before the crisis, unemployment was said to be 6.1 percent, but it actually double that when account is taken of men and women who have given up looking for jobs. Worse was coming. In the middle of the crisis, banks and other companies began a series of “downsizing” moves that will affect not only large numbers of employees but also a different “grade” of workers: Hewlett Packard is dropping about one in each twelve of its employees, some 24,600 men and women, and Merrill Lynch’s 60,000 employees and Lehman Brothers 25,000 are at least at risk. These are not seasonal or blue collar workers but graduates of the business schools and highly paid professionals, indeed probably your neighbors. You can be sure that they are not the last.

Production is also down: American automobile industry production was down about 12% in August before the crisis began and some airlines had already gone out of business or severely cut back service. At least these two parts of the American economy are looking for massive governmental financial support. Some say they cannot survive without it.

In short, the crisis is far more wide-ranging than a look at the stock market or even a survey of the banking institutions would suggest. Therefore, it is important to understand how it came about and what the other contributing causes were in order both to ameliorate the effects and to avoid a repetition.

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To dig into the causes, we need to go beyond this week and even this year. Indeed, we need to examine the last half century. Consider the following:

At the end of the Second World War, Americans had cause to be euphoric and we were. Most of us believed that the future was ours. Ours was the American Century. The experience of other nations, or even of our own, did not matter; what mattered was the future and we were sure we could make it to fit our dreams. So we lost all sense of modesty and caution.

The Cold War changed the world for both America and Russia. We tell ourselves that we won and that Russia lost, but in fact the Cold War defeated is both. To match one another, we both skewed our economies from civilian productivity into militarism whose products did not enhance our lives. We can trace our transformation to a decision by President Harry Truman. He was advised that America could ensure economic growth and full employment by applying the central message of the great English economist, John Maynard Keynes. Lord Keynes told us that the government should be a major player in the economy. He meant it as a measure to even out the business cycle, but Truman began the trend of applying Keynes’s program permanently to the military. This was a program that the perceptive American specialist on national policy, Chalmers Johnson, has termed “military Keynesianism.” President Eisenhower named its effects “the Military-Industrial Complex.”

Following the policy that Truman began, Eisenhower, Kennedy, and their successors of both parties used the power of government to divert our previously efficient and productive civilian economy to “security” activities and products. So profound was this change that by 1960s we were no longer competitive in manufacturing and distributing most civilian goods. Our civilian industrial plant was allow to become obsolescent or even to deteriorate. In 2005 the situation had become so dire that the American Society of Civil Engineers that it would take \$1.6 trillion just to bring our industry-supporting infrastructure back up to world standards. Worse, our managerial skills, on which we had prided

ourselves, atrophied. The new American business ethos no longer required competition because military contracts were often awarded without bid and frequently allowed massive cost overruns.

While our industrial plant and managerial skills began to decay, Japan forged ahead. From Japan we bought our TV sets, our cameras, our computers, our cars. Soon, we became no longer competitive in the world market. This was graphically demonstrated last week. As you probably read executives of the major US automobile companies said that without massive government help – an initial request for \$20-25 billion -- they could no longer compete in the world market. While we had become superb in weapons- and space-related production, we could not make cameras or TV sets and had lost what Mr. Ford had pioneered. Even those things we put out under American labels were often just a collection of Asian components under American wrappers.

I watched this happen. I visited Japan in 1962 as a guest of the Japanese government. While there, I was taken on a tour of the Canon camera and Toshiba electrical plants. I expected to see how cheap Asian labor was making the possible the Japanese boom. What I saw was quite different. Labor was cheaper, it is true, but what really made the difference was automation, skilled technique, able management and aggressive salesmanship.

American companies didn't need these things: their market was increasingly our government. So why bother with making cameras or washing machines when you could make jet bombers or rockets. The profits were larger and distribution was no problem. Management could afford to be lax since mistakes could be repaired by guaranteed cost overruns.

Our universities tagged along with industry. Getting government contracts was a sure way to raise money. It was far easier than soliciting private support or carefully investing endowments, and it allowed expansion into new fields. Look at the budgets of even the private universities: Harvard, MIT, Chicago and many others came to rely on government subsidies for large portions of their budgets – some as much as 90 percent -- and in return devoted much of their intellectual energy to “security-related” studies. We even created new universities and dozens of research institutes for these activities. Education, in the traditional sense, suffered something like the fate of consumer production.

This process was greatly speeded up during the Bush administration over the last seven years. The effects, as I have shown, were in large part due to lack of regulation of the financial market but also in large part due to massive spending on military adventures overseas. Military Keynesianism has reshaped America. Let me document this assertion:

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The wars in Afghanistan and Iraq have entailed huge Congressionally-allocated expenditures: nearly \$1 trillion (including what are explained away as “supplementals” to the various allocations). That figure, oddly, does not include most of the cost for military equipment. If you were to judge from the Defense Department's published budget figures, our soldiers in those wars must be fighting bare-fisted and on foot. Here as elsewhere, the public is “shielded” from reality by incomplete accounting.

The Congressionally allocated costs, moreover, are only the beginning. The indirect costs to our economy are in excess of \$3 trillion. Some economists believe they may be as much – so far – as \$6 trillion.

Like the average citizen to meet his costs, the government borrowed to meet outlays: government borrowing from citizens (federal debt) rose 70% in the last 7 years and borrowing from foreigners has reached more than \$3 trillion during the same period.

“Trillion” is a word I have trouble getting used to. In those far-off days of the 1960s when I was in government service, “million” was still in vogue. But to put into concrete terms consider what a trillion could mean: a trillion dollars would provide health care for the 47 million Americans without it plus giving quality pre-school education to every American child and make college feasible for every American student. Just the interest on a trillion dollars (according to a study by the World Bank) would eliminate starvation and malnutrition or provide primary education for every child on earth.

As we engage in our wars abroad, the Bush Administration sought to avoid the two unpopular moves historically associated with warfare: drafting young men into the army and raising taxes to pay for them. Our government did both in the Second World War, Korea and Vietnam. The Bush administration avoided them by offering large financial incentives to volunteers and by borrowing rather than taxing to pay for them. Our current Military budget is \$541 billion. That is more than the military expenditures of all other countries in the world combined. It is also more -- 58 cents of every dollar spent by our government -- than our combined spending on education, environment protection, justice administration, veterans benefits, housing assistance, transportation, job training, agricultural support, energy and economic development assistance.

We are told we need to spend this huge amount on the military because our National Defense Strategy lays out our determination and “right” to make pre-emptive warfare, indeed to attack any country whose dominance of its own neighborhood thwarts us. When it took office in 2001 the Bush administration leaked information and that it was ready to “target” up to 60 other countries.

Is this just posturing?

No, it is not. Look at the sequence: the War in Afghanistan led to the invasion of Iraq which led to an assault on Somalia and which now has us attacking the territory of Pakistan and stationing our forces in position to strike Iran.

The neoconservatives have planned that these are just the first of what they project to be a half-century of warfare. The Pax Americana we thought had come in 1945 has turned half a century later into Bello Americano.

Nor are these just plans. We have developed a network of nearly 1,000 military bases overseas with troops and equipment already prepositioned in them.

So look just at the first steps to see what these moves portend.

First, Afghanistan:

Those who read history will remember that the Afghans inflicted the worst defeat on the British Empire that it suffered in the Nineteenth century and in the Twentieth century they virtually wrecked the Soviet empire. So far, we have not suffered so much, but we have already lost more than 500 American dead. At the same time, we have killed as many Afghans as the Russians did, about one million, and we have shattered what remained of the Afghan economy after the Russians and the Afghan warlords had worked it over. The only remaining industry is the drug trade of which Afghanistan furnishes about 90% of the world’s market. Our declared enemies, the Taliban, had banned it, but now they are allowing it to flourish because they need the income they derive from it to fight us. And fighting us, despite our overwhelming firepower, they are doing with increasing success. Just as in similar circumstances we lost the war in Vietnam, so we are losing our war there. The Taliban are returning, with the support of the Afghans, while the warlords we have either supported or tolerated are on the decline. The government we

put into power barely controls downtown Kabul. Yet both presidential candidates tell us they favor a deeper involvement in this losing war. We may look back on that decision as we now regard President Johnson's deeper plunge into Vietnam.

Second, Iraq:

In addition to the monetary costs I have mentioned, the Iraq war has so far cost us over 4,100 American casualties. Added to these are the wounded about whom we hear little. The administration admits to about 25,000 wounded but that is wildly, even ridiculously, wrong: in this year alone some 300,000 servicemen and –women are in treatment. The real total for the Iraq war is probably at least half a million of whom over half have severe brain damage from concussions which will cause memory loss, severe headaches and confused thinking for the rest of their lives for many of them. Even the lesser wounded will be a burden on their families and communities. 22,000 of them tried to commit suicide this year. No one knows – yet – about the number of cases of cancer that will develop from our use of depleted uranium bombs and shells, but the numbers could be very high. The long-term money costs for treating the wounded are estimated at \$1 trillion. The real cost to our society and economy will be several times that figure.

If these figures are hard to believe, consider that from the 1991 Gulf War which lasted only 100 hours, 300,000 men and women are claiming disability payments.

One and a half million American soldiers have served in Iraq. We now have about 140,000 there. In addition, which few Americans have even heard about, we have some 180,000 private contractors in Iraq at a cost -- so far -- of \$85 billion.

Of course wars are not one sided. The Iraqis have suffered far more than we. According to a study made by the Johns Hopkins School of Public Health, as of two years ago at least 600,000 Iraqis have died. The figure today is perhaps over a million and about 3 million more have been turned into refugees. The physical damage to Iraq is literally beyond count but could be several hundred billion dollars. Worse we have destroyed the social contract between the people and authorities.

While the Eighteenth century philosophers and our Founding Fathers thought much about it, few of us consider what it means. But the implicit agreement on social relationships, the social contract, is the bed rock of every society. If you did not have this general agreement among the inhabitants here in Cleveland, the whole American army could not keep order here. That is the situation in Baghdad.

The neoconservatives told us and advised our government that by invading Iraq and overthrowing its government we would create democracy. Instead, we have created chaos. Iraq is a destroyed society.

We are told that we are “winning” -- whatever that might mean – and that the “surge” is working: but the fact is that while violence has died down somewhat -- only 654 Iraqis were killed in May this year –Iraq is still the most dangerous country in the world. Moreover, where the surge is said to be working, it is because the neighborhoods have already been ethnically cleansed (so Iraqis are fighting less among themselves), we have built huge concrete walls between them and we have drawn our troops back into secure bases from which they occasionally sally in aircraft or tanks. These are tactical accommodations but do not lead to long-term solutions. In fact they lead in the opposite direction. As even our former proconsul in Iraq and current ambassador to the UN, Zalmay Khalilzad, secretly wrote to President Bush on the surge, “the proposal to send more U.S. forces to Iraq would not produced a long-term solution and would make our policy less, not more, sustainable.”

Third, consider Somalia:

Somalia had less to destroy. It is a small country. Few of us have even heard of it except in the film “Black Hawk Down.” The film shows our good guys trying to free the Somalis from a bunch of murderous, raping thugs, the warlords. They failed, and Bill Clinton pulled them out. The warlords continued their raping and murdering. Then the Somalis did a remarkable thing: they got rid of the warlord themselves without our help. But we didn’t like the way they did it. Like most Africans and Asians, they had given up on Marxism and had fallen back on religion. Their Islamic fundamentalism had some of the ugly features we have seen in Afghanistan. But we didn’t care about that. What bothered us was that we feared that their Islamist regime would be hospitable to the al-Qaida people. So we sicked our Ethiopian friends, whose government is Christian and who have long wished to dominate Somalia, on them. Actually we secretly joined in on the attack, not only with money and arms but also with our own aircraft, ships and American Special Forces. Together with the Ethiopians, we destroyed the Somali government, “the Council of Islamic Courts,” and following on the heels of our forces and the Ethiopians the murderous, raping warlords returned.

So Somalia today is a crippled society. It is also a society that bitterly hates us. We did not create terrorism in Somalia – the warlords did that – but Somalia hatred of them has now been redirected toward us.

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Now let us look the road where we are headed:

The neoconservatives have called that road “The Long War.” They expect our movement along it to last about half a century. So influential are the neoconservatives, who are the Bush administration’s gurus and who also occupy key positions in all the major policy advisory groups and the major newspapers, that their proposed program is not just theoretical musing but stands a real chance of being fully implemented. And, so important are the implications not only for our lives but also for those of our children and grandchildren that we must make every effort to understand what implementing their policy portends -- What is it? What will attempting to implement it do to our position in the world? What will it do to our society and economy? What will it do to our laws and our Constitution? What will it cost in terms of money?

The core idea of neo-conservatism is that America, alone among world powers, has the strength, the wisdom and the right to impose its will upon all the nations of the world. For public relations purposes, the neoconservatives have said that they aim to remake other nations in the American image as democracies. But, in fact and in practice they aim to convert them into subordinate states within a new American empire. This is not just my interpretation. These concepts have been spelled out in numerous articles and speeches by prominent neoconservatives within and outside of government. The most important concepts have also been embedded in the 2005 “National Defense Strategy of the United States of America” which baldly states that “America is a nation at war [which] At the direction of the President...will defeat adversaries at the time, place, and in the manner of our choosing.” That is, to engage in pre-emptive military strikes. Adversaries are described as those who seek to “limit our global freedom to act” or “dominate key regions” or “develop and use breakthrough technologies to negate current U.S. advantages in key operational domains.” Broadly speaking, “Our role in the world depends on effectively projecting and sustaining our forces in distant environments where adversaries may seek to deny us access.” In short, under neoconservative influence, the official doctrine of America has become world domination.

Attempting to implement this revolutionary doctrine now has us engaged in wars in Iraq, Afghanistan and Somalia. Inevitably, these military actions spill over into neighboring countries. Fighting in Afghanistan led American forces the last week to attack targets in Pakistan (infuriating not only the pro-

American government and causing it to close down our supply route to Afghanistan but also causing great popular anger while doing little or nothing to improve our position in Afghanistan). We can be sure that wherever we try to implement the neoconservative doctrine, we will lose allies and friends while entrenching and embittering those we attack.

The effect on the American society and economy is already pernicious. The huge cost of the first of these wars, Afghanistan and Iraq, is at least \$4 trillion. The demands of preparation for war and actual combat have led the Bush administration to spend more on the military than all the other countries of the world combined; the policy has contributed to the near collapse of our financial system, as I have outlined earlier; it has caused us to go deeply into debt which in turn has caused our currency to fall against the other major currency, the Euro, by nearly 50 percent; it has contributed to the failure of some of our major industries and by a ripple effect led to millions of Americans losing their housing and/or their jobs; by diverting our public efforts to military affairs, it has caused us to allowed our cities, infrastructure and schools to degrade and thus neglected the ultimate bases of security of any free society, the health, morale and skills of our citizens. To put it baldly, the policy has nearly wrecked America.

Because unemployment and other results of continuous warfare are unpopular, our government has acquired the habit of lying to us (as it did on the Iraq war) and of withholding information even from the Congress (as it has done on the Department of Defense expenditures) and other matters. Secrecy has replaced government transparency. Moreover, guided by the neoconservatives, it has played fast and loose with the Constitution (as it has done on incarceration and torture of prisoners of war and on invasion of privacy of our own citizens by wiretaps in violation of the law). More subtly, it has contributed to a climate of fear in which rational discussion of public policy becomes difficult. And, it has behaved in numerous other ways that would have shocked our Founding Fathers. In short it has caused us to take several steps toward the ghastly world described by George Orwell in his novel 1984. In that world, lies become truth, war becomes peace, and tyranny becomes freedom.

The monetary cost of the “Long War” is perhaps beyond calculation. Some estimates, which are probably underestimates, run to about double our gross national product, upwards of \$20 trillion. As the conservative English journal, The Economist which probably many of you read put it, “the Neoconservatives are not conservatives. They are radicals. Their agenda adds up to a world-wide crusade...permanent, unending war.”

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Is this just a fantasy? A pipedream of a bunch of unbalanced, angry and frustrated former Trotskyite Communists who have vaulted across the political spectrum to the extreme right?

I wish I could tell you that it is. Sadly, it is much more. For example, as I have mentioned, we now have nearly 1,000 U.S. military bases in other countries. We have the troops and weapons already in place to act anywhere in the world. And the Bush administration maintains publicly that it has the authority to act. The previously operative law, the War Powers Resolution (P.L. 93-148 of 1973), which was passed by Congress over the veto of President Nixon, limits the president’s authority to commit American troops into hostile situations and requires him “in every possible circumstance” to consult with the Congress before so doing. In the aftermath of the September 11, 2001 attacks on the World Trade Center and the Pentagon, President Bush convinced the Congress to grant him full authority (which became P.L. 107-43 of October 2002) to “use the Armed Forces of the United States as he determines to be necessary and appropriate [my emphasis] in order to (1) defend the national security of the United States against the continuing threat posed by Iraq; and (2) enforce all relevant United Nations Security Council Resolutions regarding Iraq.” President Bush has taken the position that this resolution gives him even wider authority – that is, to act anywhere he deems a threat to exist. With this in mind, the

Department of Defense, under Secretary Donald Rumsfeld, created a special secret force, said to number 55,000 men with a budget of about \$80 billion, which does not have to report to Congress or even to civilian representatives of the Government, the ambassadors, but is authorized to carry out assassinations and even to overthrow governments, thus to get our country into war. Members of this force were active in the Somalia invasion and are already said to be involved in covert activities in Iran. We learned on September 11, 2008 that some of them had been sent into Pakistan despite the opposition of its -- pro-American government.

Now consider Georgia:

As we read the press and listened to the statements of our government, Russia's actions in Georgia appeared a replay of its aggressive past: Vladimir Putin sounded much like Peter the Great, Stalin and Yeltsin. The Russians were vicious and uncalled for. I would agree that they were heavy-handed, but they were certainly predictable. Like America, Russia has always been sensitive to events in its "neighborhood." For us, the neighborhood is Latin America and for nearly two centuries since the 1823 Monroe Doctrine, we have acted against foreign powers have overthrown governments we considered to be our enemies. Russia has long operated in its "near foreign" neighborhood in similar ways. Recognizing this strategic reality, James Baker, the first President Bush's secretary of state told the Russians that we would not move NATO ahead "even one inch." We have now moved it right into Russia's immediately neighborhood. Moreover, we have encouraged a non-NATO state, Georgia, to engage in hostile acts. I doubt that most Americans know this. Indeed, you would have to read the press very carefully to learn that it was Georgia that attacked South Ossetia (whose citizens have Russian passports and which has been essentially independent for about 20 years) on August 7. Georgia's President Mikheil Saakashvili apparently ordered the attack when given a "green light" by the Bush administration. When he did, the Russians reacted. So we were furious. Vice President Dick Cheney rushed out to promise Georgia a billion dollars in aid and to talk about threatening military action. But, of course, we never had any intention of starting World War III to protect Georgia. So we created a crisis where none existed and by then doing nothing looked foolish. Those who paid the price were mainly civilians in Georgia and South Ossetia. But we hardly enhanced our world standing by these foolish moves.

And Iran:

Two issues have dominated American governmental and public discussion of Iran – its alleged attempts to acquire nuclear weapons and its supposed intervention in Iraq. Of course, also, many people, particularly women, dislike the regressive social policies of the fundamentalist Islamic government toward women. But, on the nuclear issue bear in mind two things: first, it was America that got Iran started toward nuclear weapons. As Jonathan Power has written, "Lost somewhere in the mists of history is the knowledge that it was the pro-American Shah of Iran who initiated Iran's quest to build a nuclear bomb. And it was the anti-American revolution led by Ayatollah Khomeini that initially suspended work on the bomb." Also, our most authoritative estimators of facts in foreign affairs, our 16 intelligence agencies, found unanimously last November that they had "high confidence" that Iran had no nuclear weapons and no operational plans to build them. They also found that the claims that Iran was playing a significant role in thwarting our operations in Iraq were either exaggerated or unproven. Briefly, let me consider these two issues:

First on Iraq, I assume that the Iranians will do what they can to make our lives there difficult. As an Iranian, I certainly would because we continue to threaten them with destruction. And Iraq is, after all, in their neighborhood. If a foreign power, which proclaims itself our enemy, were occupying Mexico, imagine the American reaction! But, as a practical matter, from my studies of guerrilla warfare and insurgency, I doubt that the Iraqis need Iranian help or encouragement.

Second, on the nuclear issue, I assume that the Iranian government will work toward getting a nuclear bomb. I do so because I have learned in my experience in foreign affairs and also in business that to understand the other side is likely to do it is useful to imagine oneself in his position. So, what would I think and do if I were an Iranian. I would see that President Bush signaled out three countries as the "Axis of Evil" and threatened them all with "regime change" -- that is a euphemism for overthrowing their governments and killing their leaders or even destroying the countries. So what happened to the three?

Iraq, which did not have weapons of mass destruction, was destroyed, its leaders and about a million of the citizens were killed or died.

North Korea, which did have nuclear weapons, could not be attacked because the cost of doing so would be a nuclear conflict. So we have offered it an aid program, money and food and industrial equipment.

That leaves Iran. I think everyone agrees that a hard-headed, sensible Iranian would decide he had better get a nuclear bomb as fast and as secretly as he possibly could. Our policy, as the UN chief authority on nuclear weapons has said, indeed, guarantees that Iran will get the bomb.

So our policy is, to say the least, self-defeating.

We are not yet in a full-scale war against Iran, but we have had American soldiers and covert agents on the ground there and have, apparently, assassinated Iranian government officials. We also have a vast armada -- three huge carrier battle groups, that is, about half the American Navy, along with associated landing ships, aircraft, missiles, etc. -- on Iran's Persian Gulf frontier. We have other men and equipment as far away as the Continental USA dedicated to a possible campaign in Iran. And we have furnished Israel with long-range aircraft (the F-16i and the F-15 with tanker aircraft) and 1,000 specialized bombs (GBU-39) suitable for an attack on Iran. Understandably, the Iranians will do what they can to deter us.

If, as President Bush has threatened, we attack Iran, we take another step down the neoconservative road toward Orwell's nightmare.

Estimates are that, if we use nuclear weapons, we will kill upwards of 3 million Iranians. But use of airpower with or without nuclear weapons will not guarantee that all Iran's nuclear-related sites and personnel are destroyed. So, then we will be entangled in a guerrilla war that will make Iraq look like a picnic. Iran has 150 thousand national guardsmen, already organized and fully equipped for guerrilla warfare -- in 2003 Iraq had none at all -- and Iran has a fleet of fast, highly maneuverable and lethal speedboats that will attack our fleet and oil tankers. Since 40% of the world's energy goes down the Persian Gulf -- and will almost surely be disrupted -- the effect on the world's economy will be catastrophic. Oil which is now hovering between 120 and 150 dollars a barrel will probably go to several hundred dollars. Western industry will virtually be brought to a standstill. With production stopped and supporting businesses suspended, unemployment will soar. Even if we are prepared to pay these costs, we can be sure that any future Iranian government, whether selected by us or not, will opt for nuclear weapons. On this and many other issues, the "free world" is no longer with us. The public opinion polls tell us that, whereas they used to regard us as the world's leader toward stability, many now think of us as a rogue nation. Americans would not use that term, but the latest polls in April this year show that 81% of us think that "things have pretty seriously gotten off on the wrong track."

We will have created a nightmare to leave to our children and grandchildren.

So what must we do?

First, let us be sensible. There are no quick fixes. We cannot just flick a switch and repair the damage that has been done. But we can begin the healing process, and we can prevent much further damage. Our country must bring itself back from the binge we have been on. We need to be more modest. One of the best Marine Corps commentators put it simply: "It used to be said that the side with the most guns won; today, the side with the most guns goes bankrupt." That is roughly where we are today. We must also realign our actions to fit our real needs and our actual means. As the sober military analyst, Colonel Andrew Bacevich, put it, "America doesn't need a bigger army. It needs a smaller – that is, more modest – foreign policy...Modesty implies giving up on the illusions of grandeur to which the end of the Cold War and 9/11 gave rise. It also means reining in the imperial presidents who expect the army to make good on those illusions. When it comes to supporting the troops, here lies the essence of a citizen's obligation." Specifically, we must begin by repudiating the neoconservative-inspired "National Defense Strategy of the United States of America."

On the nuclear issue which, from my personal involvement in the Cuban Missile Crisis, I particularly worry about, we missed the opportunity to get a moratorium on nuclear weapons; instead we multiplied what we had to fantastic numbers, 30-40 thousand when a dozen would have blown up most of the world. The result was that China followed, then Israel plus South Africa, then India and Pakistan against one another, then North Korea et al. Now we are on the brink of a new "surge." We are again building bombs and upgrading those we already have. And we are urging India, for example, to forge ahead down this dangerous path.

This is exactly the opposite of what we need to do. We need to curtail and ultimately abolish them.

To convince other nuclear powers to follow this path toward real security, we must begin with ourselves, agreeing with the other major nuclear power, Russia, on the program we originally set out in the 1960s or something similar to it, thus setting an example. Such a program will call for a high level of diplomacy and will not be easy. But if we want our children and grandchildren to live in a reasonably secure and peaceful world, they are necessary. Moreover, we know how to accomplish it. Incentives already exist and we can create others.

Iran has our attention now so we could move positively in the Middle East. There, we need to push for a regional nuclear ban. At the present time, Israel is the only nuclear power in the Middle East. Would it block such a move? Perhaps, but there are reasons why it might be willing to follow our lead. The first reason is that Israel does not need nuclear bombs. Their value to Israel is psychological rather than strategic. They were not used in the 1967 or 1973 wars or in the Lebanese war of last year. Israel already has the most powerful army and air force in its neighborhood. The second reason is that it has a de facto American security guarantee. But the most compelling reason, the third, why Israel should move toward a nuclear free zone is its own security. Its possession of nuclear weapons ensures that some of its neighbors will get them; so nuclear weapons, far from being a source of security, are a source of insecurity. In a decade or so, no matter what happens in Iran, other Middle Eastern countries will acquire them. So it would be smart for the Israelis to take the leadership in removing them from the Middle East. We can help in various ways and should.

We must get serious about the environment. It is so far little more than a PR happening. But if we do on the environment what we did on space travel in the Apollo program or with the Manhattan Project on the nuclear bomb in World War II, we could save our planet. It is, after all, the only one we have.

We must go back to the days when we demanded government accountability. Congress does not

even demand that testifying officials take an oath to tell the truth, and all they get asked for is sound bites. The pathetic testimony of General David Petraeus is a good example. He never gave a clear answer to a single question, pathetic as the questions he was asked were.

We must reform the electoral system: no matter who is elected president, we cannot hope to play a responsible role in the world or even sensibly govern our own complex society when we put our country up for sale every two years and rent it out every day in between. To win elections, a typical representative spends about half his time raising money for television ads. The cost of running for office has multiplied, often as much as ten times, in recent years. A friend of mine, a senator from a nearby state, told me that he needed to raise nearly a million dollars a month and, as he laughed, “no one gives a politician money because of the color of his eyes. We are all for sale. Donors expect a return on their money from the public purse.” To put it bluntly, Congress has become a whorehouse. Everyone is on the take. There are an average of 5 lobbyists for each congressman, and money is the main topic of conversation.

We cannot afford to relive the Roman experience of bread and circuses. But if you watched both the Democratic and the Republican conventions you would see that we have improved on the Romans: they kept bread and circuses apart from the politics of government. We have combined them. If we care about our democracy we must work to deserve it. We must demand that our leaders support much improved public education and by our deeds and our pronouncements strive to create an environment in which it is valued. At the present time, it is not. The average graduate of a college hardly knows where any country is located, knows little of the working even of our own economy and certainly is vague about our governmental system. If you went around the country visiting colleges as I have, you would be appalled. Indeed, frightened.

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Our country is our heritage. We can protect that heritage. We are its custodians. If we do not do our best to pass it along to our children in good shape, they will certainly never get a better one and are likely not to have the things that have made it great. Its destiny is in our hands. Let us perform our duty. If we cannot do it for patriotic reasons, let us do it in our own selfish interest, for ourselves, in our own times.