

War and famine. Peace and milk. —Somali proverb

### INTRODUCTION

**Richard Kaufman**



Under present circumstances, “avoiding a new cold war” alludes to tensions with Russia; although in theory there could be a cold war with China, Iran, North Korea, or some combination of nations in the Middle East.

In the years immediately following World War II, US leaders struggled with the policy options concerning the Soviet Union. From the US perspective, Moscow was acting in a hostile and threatening way toward neighboring countries, the US, and Western Europe. The options for the US as they were understood were either to launch a war with the Soviet Union, or acquiesce in its actions; and acquiescence was seen as appeasement. To these grim choices George F. Kennan offered a third option, namely, containment, which came to be synonymous with cold war. Kennan’s idea was to resist Soviet aggression and the spread of communism to other countries peacefully by maintaining US military and economic strength, providing assistance to our allies, and “by any means short of war.” He argued that, because of the limits of the USSR’s governing capabilities and in its economic system, such a policy of patience

in countering Soviet actions against the West would result in the long term in “either the breakup or the gradual mellowing of Soviet power.” Quite a prescient forecast in the late 1940s.

There were many who disagreed, of course. John Foster Dulles, President Eisenhower’s secretary of state, urged a rolling back of Soviet power and liberation of Eastern Europe. Nevertheless, the containment policy conceived under President Truman was followed throughout the Cold War and by all succeeding administrations.

Now we are faced once again with a Russian government that we perceive as acting in a threatening and aggressive way towards neighboring countries and the West. Russia’s acquisition of Crimea and its use of military force elsewhere in Ukraine, and the economic sanctions imposed in response to those actions by the US and other Western governments suggest that, if present trends continue, there could be a new cold war.

But from Russia’s perspective they’re acting to protect their border from bases that could be set up by NATO. And hovering over everything, like a brooding omnipresence, are the nuclear weapons, numbering some 10,000 between the US and Russia.

Of course, cold war is preferred to armed conflict; but it is not an inexpensive option. The Cold War with the Soviet Union was incredibly expensive. And we may spend much more on defense even without a new cold war in the years to come. There was a peak in defense spending in the late 1960s that was from Vietnam, followed by a reduction which people referred to critically as a hollowing out of the Pentagon or the military. There was another peak in the 1980s, actually not for any particular fighting war, and then another decline as the Cold War ended, and then a rapid upscale in spending due to the wars in Afghanistan and Iraq. There’s been a downtrend in the last few years during the Obama administration, but it is still far above the Cold War

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## US-Russia: Avoiding a New Cold War Issue

“[O]il rents...enable  
a dysfunctional  
system to survive...  
The Putin government  
is integrally tied to  
the continuation of  
the petro economy...  
[T]he whole system  
depends on the  
price of energy  
and commodities  
continuing to go up.”

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average; and most people project a further increase because of involvements in Iraq, Afghanistan, and Syria, and who knows where else threats might be perceived.

Finally, I want to say that, with the increase in defense spending, there is some concern about how this will be perceived by Russia, by China, and by other potential adversaries.

### ABOUT THIS ISSUE

This issue is comprised of edited transcripts of a panel session held on January 4, 2015 as part of the Allied Social Sciences Association meetings in Boston, Massachusetts. Visit our website, [epsusa.org](http://epsusa.org), and click on "Past Events" for links to video and complete transcripts.

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**Charles Knight** is Senior Fellow at the Project on Defense Alternatives and co-founded the project with Carl Conetta in 1991. In 1989 he founded the Ground Force Alternatives Project at the Institute for Defense and Disarmament Studies where he was a Research Fellow at the time. He has authored numerous publications which have appeared in such publications as *Defense News*, *American Sentinel*, *Boston Review*, *Bulletin of Atomic Scientists*, *Social Policy*, *Boston Globe*, *Time*, *International Security*, and *Dissent*. During 1994-1996 he had the honor to consult on stability-oriented security options for southern Africa with the African National Congress and South African Ministry of Defense.

**Stephen M. Walt** is the Robert and Renee Belfer Professor of International Affairs at Harvard's Kennedy School of Government. He has been a Resident Associate of the Carnegie Endowment for Peace and a Guest Scholar at the Brookings Institution, and he has also served as a consultant for the Institute of Defense Analyses, the Center for Naval Analyses, and the National Defense University. He presently serves on the editorial boards of *Foreign Policy*, *Security Studies*, *International Relations*, and *Journal of Cold War Studies*, and he also serves as Co-Editor of the *Cornell Studies in Security Affairs*, published by Cornell University Press.

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**Robert Skidelsky:**

A couple of months ago, at Sochi on the Black Sea, I put the following question to Vladimir Putin: Would you not accept that your biggest failure since you became president in 2000 has been your failure to diversify the Russian economy? Russians dismantled the old Soviet industrial system without finding a hard currency replacement. Its economy is dependent on oil exports and is dangerously vulnerable to any fall in the oil price. What do you propose to do to make Russia an attractive place for Russians to invest in?

Putin gave a long reply in which he reeled off a lot of positive statistics, but evaded the question. I've faced no sinister visit from a man named Black afterwards. My visa has not been suspended. In fact the exchange was reported on Russian television.

Russia's post-communist economy holds the key to a lot of what's been going on in their foreign policy. The story isn't entirely negative. Following the semi-criminal shock therapy of the 1990s, it was a great feat to prevent the disintegration of the Russian state, which was certainly a real possibility.

Personal consumption is much higher than it was in 1989. The level of education is higher than most developed countries. Russia survived the 2008 recession without serious damage. Nevertheless, the global economic crisis has brought to light the fact that Russia has a busted business model, and the prospects are quite dire.

Russia is basically a petro economy, Saudi Arabia with nuclear weapons as one wit quipped. GDP and state revenues grow mainly in line with the prices of oil, gas, metals, chemicals, timber, and grain. Two-thirds of Russian exports are oil and gas; 50 percent of government revenues come from taxes on oil and gas. Every dollar drop in the oil price knocks over a billion dollars off the state's revenue. The Russian state is almost the only engine of investment, pushing investment from above because of the lack of entrepreneurial push from below.

There are other worrying issues: The population is still declining by 5 or 600,000 every year. There's been a sharp shift in the interests of young people from business to the civil service. Universal corruption obstructs economic development at all levels of government.

Russia is in danger of failing in its third attempt to take off into self-sustaining growth, the first one being in the so-called Silver Age, 1880 to 1914; the second being Stalin's mobilization economy of the 1930s and the 1940s. Since Putin came to power, the growth of private wealth has far exceeded the growth in productive capital. Over the first decade of the 2000s, private sector savings was on average 20 percent of GDP. Of this, one-third was exported abroad, and much of the remainder went into real estate and prestige construction projects. Investment in manufacturing and

machine building has been meager. Inward foreign investment has been deterred by the cost of doing business in Russia, as well as by other political risks, and anyway has gone mainly into oil, gas, and minerals.

In other words, over ten years of high oil prices, Russia failed to find a way of putting its own savings to proper use and attracting foreign investment. As a result, it has been de-industrializing. Despite possessing some of the finest human and educational capital in the developed world, it has failed to create anything like a knowledge economy, and it imports most of its high tech.

The Russian economist Leonid Grigoriev makes a good point when he writes, "The debate over whether oil rent is good or bad for development is fruitless. The rent in combination with good institutions is a development resource. The rent without adequate institutions risks stagnation." The trouble is that oil rents undermine the incentive to create efficient institutions that encourage both domestic and foreign private investment. They enable a dysfunctional system to survive without reform. This is what many analysts mean when they talk about the oil curse.

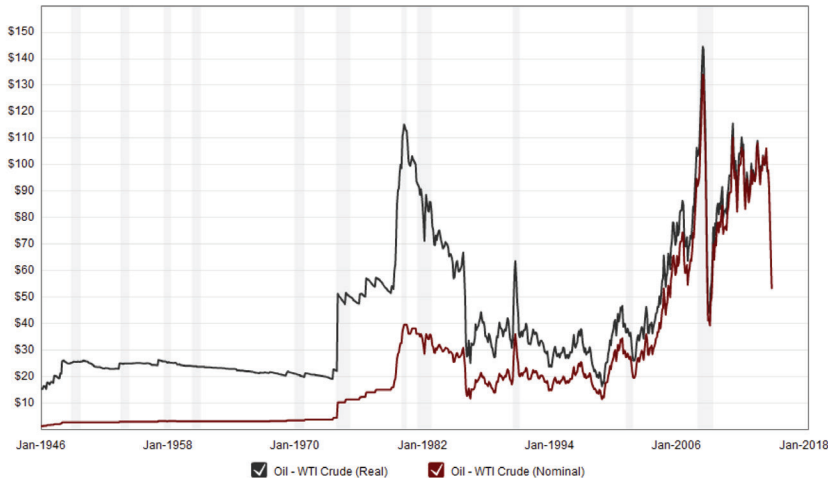
The Putin system of government is integrally tied to the continuation of the petro economy. The petro economy has enabled it to pacify the property-owning class by allowing it to keep most of the rents from rising energy and mineral prices. Very low income taxes have allowed the professional middle class to boost its personal consumption; and there's been enough left over for distribution to the power elite from the state budget. But the whole system depends on the price of energy and commodities continuing to go up.

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(l to r): Allen Sinai, James Carroll, Stephen Walt, Charles Knight, Robert Skidelsky

## Oil Prices of Brent Crude 1946-2014



There was a spike in oil prices from \$20 to \$40 a barrel in 1973, with a peak of \$117 in 1980. The first post-OPEC collapse from \$117 down to \$20 in about 1986 was important because it put pay to Gorbachev's attempt at Perestroika, which was based on accumulating foreign exchange reserves to finance the domestic restructuring of the command commodity. This low oil price persisted through the 1990s, falling to its lowest point, \$12.5 a barrel, in December 1998. In August 1998, Russia devalued the ruble and defaulted on its foreign debt. Yeltsin resigned a year later, the second leader to go because of plunging oil prices. The Putin boom years followed as oil rose to \$136 a barrel in June 2008. Then you had a collapse in 2009, a quick bounce-back, and in June 2014 the price of a barrel of Brent crude was \$115. It's now halved again to about \$55, and speculators are betting on further heavy falls.

The surplus in the stabilization fund, which Russia accumulated in the good years, did limit the fall in output at the time of the global recession; but the recovery was rather limited, and its position now is again dire. Remember that Russia's budget of 2014-15 is set to balance with \$100 oil price. Of course that's an average over the year, which may still be achieved; but the

bad oil news comes as Russia's oil industry joins its banks and defense industry in feeling the effect of US and EU sanctions.

The central bank has given up trying to maintain the value of the ruble, which has depreciated 30 percent against the dollar since the end of November. Ruble depreciation hits at the biggest perk of the professional middle class: access to foreign holidays. The finance ministry's been using money from the National Wealth Fund, the stabilization fund, to buy shares in Gazprombank, BTB, and Trust Bank. The central bank has been printing money to refinance the banks' foreign debt amounting to about \$500 billion, and the economy's forecast to shrink by 5 percent this year.

Putin has warned of hard times for at least two years; but his policy errors of omission and commission have played a large part in causing these hard times, which may well last for longer than two years. The explanation for the failure to modernize the economy is simple: Putin's system depends on not modernizing it. That leaves it dependent on the price of oil; and Putin's rash Ukrainian policy has increased the Russian economy's vulnerability further.

Let me end with a quick word about the Ukraine. I remain an optimist, at least as far as the conflict in the southeast corner of the

country, the Donbass, is concerned. The Russian goal was never to detach, let alone annex this territory in its own borders, as the Western media have led us to believe. Instead, the idea all along has simply been to insure that the rebellion remains undefeated by the Ukraine state. Russia has provided the separatists with sufficient military muscle to insure this. When accused by [EU President] Barossa in August of last year of invading Ukraine, Putin said, Had I invaded Ukraine, I would have been in Kiev in two weeks.

The strategic aim behind the tactical support of the rebels is not to conquer or subjugate Ukraine, but rather to insure that Ukraine remains ineligible to join NATO. In the collective mind of the Russian leadership, the strategic nightmare, whether objectively justified or not, is the possible projection of US military power from Ukraine territory. The capture of the Ukrainian state by a ferociously anti-Russian nationalist movement, and the immediate recognition of the new government by the United States, made it imperative for the Russians to move into Crimea. Not only might Russia's right to the naval base in Sebastopol be lost; but the whole of the Ukraine might quickly become available for US military deployment. I have this from many sources, and it's pretty widely known.

You might say this is simply paranoia. But you've got to understand that mindset and how it arose, and some of the actions of the West over the preceding years that might have led to it.

Pending a settlement between Kiev and the separatists, keeping the separatists alive serves Russia's strategic purpose of making the Ukraine ineligible for NATO membership, as control of the whole of its borders is a condition for NATO membership.

But since Moscow and Kiev agree that the Donbass is legally part of Ukraine, it should be possible to negotiate constructively on devolution for the Southeast, provided the NATO expansion problem can be overcome.



## Allen Sinai:



We are already in the midst of a Russian-West cold war fought with economic and financial weapons, a cold war that Russia appears to be losing. This cold war poses significant geopolitical, financial, and economic risks to the world economy and financial markets in what otherwise should be a sustained and accelerating global economic expansion.

The 50 percent decline in crude oil prices in six months was out of the blue, not really forecasted nor forecastable. Economic and political forces and the disruptive technology of fracking have changed the whole oil supply paradigm. The impact on Russia of all of this leaves us looking at a significant risk to the rather pleasant and sanguine view of the 2015 US and world economies that some of us, including me, have had.

The Russian economy is down 5 to 10 percent of real GDP. The importance of oil to the Russian economy's growth of wealth and reserves cannot be underscored enough, and that makes Russia extremely vulnerable. Russia is the eighth largest economy in the world, producing about 2.7 percent of world GDP. Luckily, Russia's constellation of impacts is fairly limited. But the financial ramifications for Russia over the next year or two, and more importantly, the uncertainty of its political and geopolitical reactions as a country that will probably go belly up, is scary.

Throughout history, countries with recessions, declining export earnings, falling currency, growing external debt loads for the

private and public sectors, losses of foreign exchange reserves, and failing banks and companies have often devalued their currency and defaulted on sovereign debt. Considerable political upheaval and instability are the result. Russia is the world's number-one producer of crude oil, so their economic failure poses a big risk.

I have a number of questions in the wake of this black swan event, some of which are unanswerable at this time. How bad is the Russian downturn? What will the Russian recession/depression do to Europe, the US, and world economies? Is it desirable to force Russia to withdraw from what appears to be its expansionist and confrontational ambitions using its economic problems as a lever? Does Russia have to be saved because of the potential damage its failure could cause? What are the implications for Washington politics, the federal budget, and the election of 2016?

If oil prices go back up to \$80 or \$90 a barrel, suddenly Russia is okay, and all of the damage can go away. So the first question is, is the oil price decline temporary? We at Decision Economics think it's permanent.

Then, what is the path of crude oil prices? For the US economy, our analysis looked at the effects of \$70 a barrel of oil, down from \$110. Qualitatively, you get more economic growth, a declining unemployment rate, declining inflation rate, increased business profits, better federal budget deficit, lower inflation expectations, and a lower path for interest rates. These are macroeconomic model results of simulations of oil price declines.

The Federal Reserve has a target of 2 percent inflation, and so inflation will move away from, rather than toward the target. The Fed is assuming this will be transitory, that there will be only a one-year downward effect on inflation. We do not agree. We think there is a tail of effects, that growth will be improved the following year, and inflation will not come back as fast. The Fed will have to decide how to handle that. In terms of their dual objectives, they may make full employment pretty quickly; but they're going to be moving further away from their inflation objective.

We are now forecasting 3.7 percent growth for the US economy next year. The

oil increment is 4.4 percentage points of additional growth. In the old days it would have been a lot bigger, but energy is a smaller part of everyone's activity now. The unemployment rate at the end of 2015: 4.9 instead of 5.1. That would take the Federal Reserve to its full employment unemployment rate, in the 5.2 to 5.5 range, and leave them either having to figure out whether we really have reached full employment; redefine full employment parameters; or simply let it run and, because inflation is low, just wait and see what indeed the natural rate will turn out to be.

Additionally, for net oil exporters, depending on how important oil is in the economy, there could be real trouble. Saudi Arabia is a low-cost producer. Their cost of production is thought to be under \$10 a barrel, so they can withstand a lot of trouble. That's why they are going to play the game of shaking out the low-cost producers. At the end of the day, a year or two from now, it will be the Saudis, Russia, if Russia is still operating, and the United States--the three biggest oil producers. In my view, the strategy the Saudis are following is intended to cause a little trouble for the shale producers in the US. Russia, the UAE, Kuwait, Iraq, Nigeria, Venezuela, Canada, Norway, Iran, Mexico are the net exporters of oil that are hurt the most.

The Russian economy had been forecast fairly flat. After the drop in oil prices it's down possibly ten percent. The ruble has been devalued by the market. The stock market is already down 45 percent; you won't want to buy Russian stocks for a long time. Interest rates are rising because they're defending their currency; while foreign exchange reserves are coming down. Bankruptcies are starting. They're trying to bail out the banking system. Debt, external and internal, is a big problem. Business is collapsing.

The big question is, what will Russia do geopolitically and politically in such a situation, and what will that mean to the world? It certainly will shake the markets. And the big unknown is, what will Russia do in a bad-case scenario--not even the worst case scenario--in which they essentially go belly up? That's the huge risk.

## Stephen Walt:



I'm going to focus primarily on the international politics of Russian-American relations. I want to take the contrarian view that we're not headed for a new cold war, and that in fact invoking the language and the logic of the Cold War is counterproductive and possibly even dangerous.

There's no question that relations between Moscow and Washington have deteriorated dramatically, especially in the last year, in sharp contrast to the hopes and expectations many people had back when the Soviet Union broke up. The failure to build a more constructive relationship between Russia and the West must be counted as a major failure of both Russian and American policy. I only hope that the two governments will work harder to repair this relationship instead of letting it deteriorate further.

But our present problems are not at all like the Cold War; they do not come close to the problems we faced between 1945 and 1992.

At its essence the Cold War was a constant, unremitting rivalry between the two most powerful states in the international system. Each side saw the other as its principal rival; each side organized much of its foreign and military policy around that competition. This was largely a zero-sum relationship. Anything that was good for the Soviet Union we thought was bad for

us, and vice versa. On the American side, we organized an entire system of alliances around the world to help contain possible Soviet expansion; while the Soviet Union formed the Warsaw Pact, and backed its own allies in various parts of the world. This competition was global in nature. And of course both sides tried to overthrow or undermine the other side's allies and clients on numerous occasions.

Although there were elements of cooperation between the United States and the Soviet Union, most notably in arms control, each ultimately sought to defeat the other and to eliminate its system of government. American leaders saw the collapse of the Soviet Union in the late 1980s as a great strategic victory. My favorite story about this is from 1986, when, in negotiations, then-President Gorbachev said at one point to George Shultz, "US policy is just one of extorting more and more concessions from us." And Shultz looked at him and replied coolly, "I'm weeping for you."

There were several causes for this intense competition. The first was structural. These were the two strongest powers in the world, and each was the other's greatest potential threat; each had to worry about what the other might do with all the capabilities it had at its disposal. We'd been reluctant allies during World War II because we saw Germany and Japan as even more dangerous; but that cooperation ended very quickly.

Second, the two sides espoused radically different ideologies, and ones that made the other side seem even more dangerous. American liberals saw any form of dictatorship as illegitimate and the communist commitment to world revolution as a sign of dangerous intentions. The danger was also very easy to exaggerate. Think about the McCarthy period here in the United States as an indication of how people genuinely believed that the communists were subverting all sorts of American institutions and posing a mortal threat to our freedom and independence. And then of course Marxism-Leninism openly identified capitalism as the source of imperialism, injustice, and oppression. So you have a traditional rivalry between great powers that's intensified by a very sharp ideological divide.

Third, this rivalry was intensified even further because at its core each side's grand strategy for achieving its foremost objectives was incompatible with the other's. The American goal was to maintain hegemony here in the Western Hemisphere and prevent any single power from dominating the Eurasian land mass. This objective dates back at least to the turn of the century, if not before. In practice it meant a policy of containment that would keep the Soviet Union from dominating Europe or Asia. Containment meant close alliances with other countries in Europe or Asia, like Japan, Germany, France, and the United Kingdom. The Soviet grand strategy was not to have any powerful hostile states anywhere near Soviet territory. In other words, if containment worked, Soviet Russia was going to feel insecure. If containment failed, the United States was going to feel insecure.

Finally it was further fueled by concerns about long-term power trends, and especially the American fear that someday the Soviet Union might catch up. With the Soviet detonation of a nuclear weapon in 1949, we thought maybe they were catching up. The spread of communism in Eastern Europe and China, the Sputnik launch in 1957, the American defeat in Viet Nam, etc., further fueled American fears. I would argue that most of those American fears were exaggerated; nonetheless, they helped make the Cold War seem especially intense and dangerous.

Comparing those circumstances to today's, it's clear we are not facing a cold war today. First of all, we're not talking about a bipolar world. The US economy is now about \$16 trillion; Russia, a bit more than \$2 trillion. China, Japan, Germany, the United Kingdom, Brazil all have larger economies than Russia does. Though Russian defense spending is going up to \$81 billion for next year, that's dwarfed by the American defense budget of approximately \$500 billion. In fact, not counting the United States, NATO's European members spend four times what Russia spends on defense every year. The Russian economy is dependent on raw material exports, most notably oil and gas. It's not diverse, it's not producing export products except arms. In the Cold War we worried that maybe



someday the Soviet Union would get ahead of us. Today Russia is a declining power; it's simply not a major strategic threat. If the United States does face a future peer competitor, it's going to be China, not Russia.

Second, there's no ideological conflict here. Russia is now a capitalist economy, albeit one that's quite inefficient and corrupt. Although Putin has recently been extolling Russia's unique cultural qualities in contrast, say, to Western-style liberalism, this is not a revolutionary ideological program that is likely to command the loyalty of millions of followers around the world as Marxism once did. Nobody in the United States is going to worry about Putinist infiltration of key American institutions the way we once worried about communist subversion. In fact, to the extent that anybody worries about subversion, it's Russia that fears that the United States might try to spread our version of liberal democracy and overthrow the current Russian state.

The third reason this is not a cold war: The issues we're contending over are much smaller. During the Cold War there were genuine reasons to worry about the future of democracy in Europe and the possible spread of communism in the developing world. Without minimizing the current situation in Ukraine, this is not the sort of issue on which the global balance of power is likely to hinge. Ukraine's economy is about the same size as that of the state of Kentucky, and whether it is part of the West, part of the East, or neutral is ultimately just not that important.

Other issues, finally, are more important: Counter-terrorism remains a bigger concern for us. It's one in which Russian cooperation could be helpful. Resolution of the Syrian civil war and what's happening throughout

the Middle East are arguably more important to us than what's happening between us and Russia. And remember that Putin did bail out the Obama administration over the chemical weapons issue in Syria. Dealing with Iran also looms larger on our agenda, and our long-term strategic competition with China is also probably a bigger concern. So from a purely strategic point of view, the United States and its various allies have ample reason to keep disagreements with Moscow within bounds and to avoid anything that might look like a cold war.

**“Russia is a declining power; it’s simply not a major strategic threat. If the United States does face a future peer competitor, it’s going to be China, not Russia.”**

So what implications do I draw from all of this? We clearly have serious differences with Russia; but we are not on the verge of a new cold war in any meaningful sense of that term.

Second, this sort of rather crude historical analogy is counterproductive. It makes Russia look more dangerous than it is. It makes us less likely to look for constructive solutions to the issues that divide us. And finally, it encourages us to do what we

did in the Cold War, which is to blame all the problems on Russia, and in particular on Vladimir Putin himself. Unfortunately this perspective tends to downplay the role Western actions have played in this deteriorating relationship and in particular ignores how our actions look to Russia.

I'm not defending Russia's actions over the past year, but its behavior should not surprise us. All great powers are sensitive about their borders. They don't like potentially hostile powers nearby. Since 1992, the United States and NATO have steadily expanded eastward, despite constant Russian objections; and we've made it clear that this is an open-ended process. It's also clear we were not neutral in the conflict inside Ukraine, and I don't know of any great power that would have been indifferent to that type of expansion, no matter who was in charge. The United States and the EU erred by not at least considering that maybe Russia would do something to stop it. Now the deterioration in relations has been very costly for Russia, and also, of course, very damaging to some European countries, as well as Ukraine itself.

We should recognize that driving Russia into a corner and weakening its government further through sanctions eventually could create more problems than it solves. As we have seen in several other contexts, failed states tend to be trouble, and a failed state the size of Russia would be a huge nightmare.

My bottom line is that we should start talking less about a new cold war and more about whether we can devise political solutions that will stabilize Ukraine, allow Ukrainians to start rebuilding their country, and allow Russia and the West to cooperate where we can and where we should.



(l to r): Allen Sinai, James Carroll, Stephen Walt, Charles Knight

## Charles Knight:



The notion of a new cold war is new enough that it is not yet fully constructed. We don't know what this new framework will encompass. I think that means it's perhaps early enough that we can work to avoid it. I believe it is a costly, unnecessary, and dangerous construct to apply to the situation with Russia.

The original cold war, which generalized the post-World War II tension between the USSR and its former Western allies, infected and transformed international relations, undermining the potential for any integration between those countries. It destroyed opportunities for cooperation in almost every field of human endeavor, including commerce. It fed on itself, rendering many lesser disagreements and disputes intractable once they were sucked into the framework of a highly militarized conflict. From a global and historical perspective, it was an inefficient and destructive dynamic.

The Cold War likely added at least a half-trillion in current 2014 dollars to annual global military expenditures over the course of its more than 40-year span, of which Russia and the US paid disproportionate shares. Perhaps one to two percent of global GDP was diverted to military capabilities particular to the Cold War.

There were roughly 100,000 American deaths in the hot corners of the Cold War. Thirty million people died in 35 major

interstate and civil wars across the globe. Many (not all) of these peripheral conflicts were encouraged and provisioned by the Cold War protagonists. To this accounting we should add the costly mischief carried on by civilian and military operatives on both sides.

I would also add two costs that are probably impossible to quantify: First, the Cold War was a totalizing construct meant to mobilize this country to confront particular threats. To a large extent it was quite successful; a significant portion of the creative energies of a generation or two of Americans and allied peoples was marshaled to the cause—at a significant cost to other possible endeavors.

The narratives feeding these fears were so often repeated that the fear response became automatic, often feeding on itself to produce yet more complex and fantastic convolutions of fear. A sort of collective

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neurosis resulted that undermined societal capacity for rational action, critical thought, and efficient allocation of resources. These sorts of collateral costs didn't show up in most economic measures; but that doesn't mean that they weren't there.

The annexation of Crimea and the active support of secessionist rebels in Eastern Ukraine last year were not the beginning of some broader Russian westward aggression. Russia has neither the wherewithal nor any interest in beginning a general war in Eastern or Central Europe. The combined economic capacity and the mobilizable military power of EU countries

is many times that of Russia. Russia cannot win a war with the West, and Moscow surely knows this.

If that's not on Moscow's agenda, then why has the specter of a new cold war been raised? Probably a good part of the answer is that it's such an easy and convenient trope for media commentators in need of dramatic content. It's ready and available. We all respond to it. And it also serves very well to argue for more military investments.

The new cold war construct is and will be used by advocates of higher investments in a militarized foreign policy. First, the Ukraine crisis, the apparent Russian menace, and then, even better, a new cold war to give it a longer-term and grander framework, provide good political argumentation for the present bipartisan-supported program of getting the Pentagon budget back on its fast-growth path following the modest budget decreases caused by the Budget Control Act's sequester provisions. The new Republican Congress likely will present the president with legislation to revise the BCA to exempt the Pentagon from further sequestration, while keeping domestic spending tied down. The left of the Democratic Party will call the president to veto such legislation. I suspect that Hillary Clinton will lobby the president to accept the Republican-sponsored legislation in order to eliminate defense spending from the campaign issues for 2016. One thing we can be sure of: Language such as, “with the new cold war with Russia we cannot any longer afford caps on Pentagon spending,” will be repeatedly deployed in all sorts of political areas.

NATO does not need to spend more on its militaries to defend Europe from Russia or any other region; but the US for more than a decade has been urging European countries to spend more. Why? It's not for the defense of Europe, but to provide ready forces in support of US-led out-of-area interventions in Afghanistan, Iraq, Libya, and Syria, and perhaps later in Iran, Pakistan, and various African countries. European countries for the most part have thought better of this; but events in the Ukraine have frightened many, and it's likely that there will be an uptick in defense spending in some NATO countries.



However, if the Ukraine settles down to a lower level of civil conflict, if regular Russian troops don't come west, then European countries will likely return to a preference for spending no more than 2 percent of their GDP on military power. Clearly a framework of a new cold war is more persuasive than the Ukraine crisis by itself for sustaining higher defense spending in Europe.

Loren Thompson, in his column in *Forbes*, invoked the Russian threat as the reason why the US needs to get more serious about investing more in homeland defenses against ballistic missile attack. Until recently, advocates for such investments had to rely on the fairly unpersuasive case of a North Korean attack.

It would be one thing if a new cold war were limited to a cold war with Russia. It probably won't have much lasting traction as such. Russia is a declining power. If we play our strategic cards with any wisdom at all, Russian power tactics need not be much of a global concern. But allow the construct of a new cold war to spread its rhetorical wings to encompass future relations with China, then we have an entirely different matter. A confrontational cold war framework with China would be close to the very worst way we could go.

China is a rising power. We need to be working to build partnership, not confrontation, with China by helping to construct an inclusive common regional security and economic framework. However, should the US government decide it needs to mobilize the American people for an arms race with China, a new cold war encompassing both Russia and China will be a convenient construct in support of this purpose.

A cold war framework for our relations with Russia, China, and any other powers that might eventually align with them could easily result in the addition of \$200 to \$300 billion in annual security expenditures. This preference for a larger, more resource-intensive national security sector will mean fewer resources for other investments needed to sustain our economic strength. A good case can be made that if we go the way of a new cold war, we will hasten the relative decline of our economy; while other nations who opt out of the new cold war will come away the winners.

### James Carroll:



At a gathering dedicated to imagining economic futures, it may seem anachronistic to dust off the old issue of arms control. But once again we are facing cold war, and the engine of cold war, past and future, is the bomb. If, as seems likely, the world stands on the threshold of a new nuclear arms race, with its champions once again in Washington and Moscow, the world economy once again will find its foundation not in productivity, but in the threat of radical destruction.

The first cold war began with the bomb. Historians assert now that Hiroshima was at least as much a first shot against the Kremlin as it was a last shot against the Axis powers. "A demonstration of the bomb might impress Russia," said Secretary of State James Burns, who, like most, assumed a long-term US atomic monopoly. Indeed, the demonstration that the United States would not hesitate to use the absolute weapon against an all-but-defeated Japan effectively stoked the age-old Russian paranoia and quickened Moscow's haste to build its own bomb. In 1949, a full decade before the CIA predicted, the Soviets had the bomb and American paranoia came into its own. From little over 100 nuclear weapons in 1950, the US arsenal grew through the next decade to over 19,000 bombs and warheads, a mad escalation that itself lays bare the insanity of the arms race that was by then fully underway. Ultimately the US and the USSR

would construct more than 100,000 nuclear weapons—insanity, full stop.

The looming threat of Armageddon was the core meaning of the Cold War. Only the arms control movement staved off the cataclysm. Of course the Cold War assured the postwar continuation of the US World War II economy, a single-minded preoccupation with national security that, for generations, has squandered the nation's genius on war preparation and underwritten in John Kenneth Galbraith's classic phrase, "the private affluence and public squalor" that divide and poison the civic culture of the United States to this day. The world was saved from the Cold War hair trigger only when arms control gave way to arms reduction, a term that came with the 1987 Intermediate-range Nuclear Forces (INF) Treaty.

The present-day threat of cold war became manifest last year when the US State Department formally declared that Moscow, having tested a new ground-launched cruise missile, was in violation of that INF treaty. Then this past fall Russia successfully launched a new intercontinental ballistic missile. But of the situation in Russia is only part of the story.

When President Obama came into office he declared nuclear arms reduction as central to his purpose. He declared in Prague in 2009 that, as the only nuclear power to have used a nuclear weapon, "The United States has a moral responsibility to act; so today I state clearly and with conviction America's commitment to seek the peace and security of a world without nuclear weapons. Yes we can." But apparently not.

Obama has been presiding over a golden moment, but one with an apocalyptic deadline. The weapons and delivery systems of the world's nuclear arsenals are aging fast. Further large reductions in those arsenals should have begun before pressures to launch a program for the wholesale replacement of those weapons systems grew too strong to resist. It did not happen. Cuts to the nuclear stockpile initiated by George H. W. Bush and George W. Bush totaled 14,801 weapons. Obama's reductions to this point, after six years in office: 507 weapons.

In 2010, a new START Treaty between Moscow and Washington capped future

*(continued on page 10)*

deployed nukes at 1500. As of October 2014, the US still deployed 1,642 of them, and Russia, 1,643. Neither nation achieved START levels, which do not include in their numbers the thousands of stored and readily rearmed and targeted weapons. In order to get the votes of Senate Republicans to ratify the START Treaty, Obama agreed to a devil's bargain, laying the groundwork for a fast modernization of the US nuclear arsenal at an estimated future cost of more than a trillion dollars. That modernization is now underway. Not even President Obama speaks anymore of the peace and security of a world without nuclear weapons.

The conventional wisdom is that, given Putin's belligerence, it is politically impossible for the one-time abolitionist president unilaterally to cut down the US nuclear arsenal to the fully deterring levels of weapons counted in the hundreds, instead of in the thousands. Such cuts at least would keep the vision of eventual elimination of nuclear weapons in sight. But the undergirding assumption of the incipient cold war between Russia and America is that nuclear arsenals are permanent. This of

course not only violates the dream that defined Obama's early public life; but it violates international law, since the Nuclear Non-proliferation Treaty requires all nuclear weapon states to take effective measures toward disarmament.

Once the NPT bargain is broken by nuclear states, non-nuclear states, including Iran, will be hell-bent on acquiring nukes of their own. A cascade of proliferation will follow. Because of decisions being taken now in Washington, no American president will ever again be able to embrace the ideal of a world free of nuclear weapons. If an Obama could not achieve it, who could? As the Cold War of yore was defined by a runaway nuclear arms race, so will be the cold war of the future. Its economic consequences: Can the US afford the trillion-dollar reinvention of the nuclear arsenal? What about the ongoing squandering of human capital on the instruments of death instead of life?

But of course economics is the least of it. What about the human future when a genocidal weapon has been defined as normal?

One last thought, and I offer it with due modesty: What prepared Gorbachev and Reagan for the 1987 breakthrough, the move from arms control to arms reduction, that ultimately ended their Cold War? I believe that they were prepared for that historic change by meetings like this. In the early 1980s, academic gatherings across all disciplines took up the question of what was called the nuclear freeze. Economists, and also physicians, conventioners of all kinds, labor organizers, religious people, groups of every sort, whenever they gathered in those years, took up the question. And mostly they passed so-called freeze resolutions. A grassroots movement to stop the nuclear arms race taking place in varied ways on both sides of the Iron Curtain changed the political equation in the Kremlin and in Washington, and ultimately the human future was given its next chance. Could it happen again? I leave it to you. All we know for sure today is that, to our surprised horror, we humans find ourselves once more at the threshold of the nuclear perdition that renders irrelevant all other questions, including economic ones.

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