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Chapter 4: A Strategic Plan for the Economy

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The United States of America is endowed with more than most. It has natural resources, intellectual capital and technology, global brands, an entrepreneurial spirit, a skilled and diverse work force, agricultural bounty, the ability to marshal capital, a competitive culture with social mobility, leading educational institutions, high quality medicine, the world's foremost military might, 24/7 media, and flourishing fine arts. It has a history of being a global leader in time of war and peace, and its values of life and liberty have at times inspired the world.

Yet in spite of these blessings, we are tied down like Gulliver, by adversarial or competitive forces from Venezuela to Russia, the Persian Gulf, the greater Muslim world, China and the Korean peninsula. Some seek outright to destroy us, while others prefer, with more subtlety, to purloin our industrial, scientific, and military secrets, and menace us from cyberspace. Lurching from crisis to crisis, the United States rarely seems to have attractive options, often appearing as a mighty colossus that cannot help itself. Other nations of Europe and the developing world test our resolve and seem more cunning and agile – and more capable of defining and pursuing their national interests. Our foreign policies seem aligned in some regions with rulers of convenience, reacting to crisis after crisis.

As the United States and rest of the world begin to recover from the worst economic catastrophe since the Depression, the world's only superpower, hated and respected both, finds much that has changed. Major industries – automotive, banking, insurance, and health care – have been taken over or subjected to increased government control, the expressed justification being to prevent even larger scale economic annihilation. To many, the primacy of our system is now in doubt, and free markets that have produced vast increases in global standards of living are now under attack because of abuse and the ensuing social consequences.

Before us is a mosaic of strategic economic and foreign policy challenges. American jobs have migrated offshore due to wage and benefit differentials, Wall Street is damaged, and our interrelated trade and treasury deficits continue. An addiction to foreign oil from authoritarian regimes has received rhetorical attention for decades but diversification of sources is nowhere in sight. Our military assets have been shrinking while the global mission has increased, and homeland security is not to be taken for granted. The rise of China as the world's second largest economy poses opportunities and threats, and the Middle East is a matrix of hostile sovereigns and non-state actors.

Asking the right question about this formidable array of problems is not easy. Perhaps we could start with this: Does America have a strategic plan and what is the value of planning? Most global enterprises have a strategic plan, with sponsorship from the board of directors and chief executive, as well as dedicated senior management. Generally, a mission and vision are articulated by a group of stakeholders, followed by an analytical process that defines and assesses the status quo, looks to the selected good in other role models, reviews the competitive landscape, sets forth strengths and limitations, defines the cost of remedies in expense, capital and human resources, states how a long term competitive advantage can be sustained in selected endeavors, and then expresses all this thinking in a budget document, with defined accountability for delivering results.

This process requires sponsorship from the top to be credible, although it is not a CEO and staff responsibility but rather a line responsibility. A national planning process must accommodate decentralization and robust engagement of the private sector. It is by no means to be equated with central planning, a badly discredited notion now interred with the remains of the Soviet Union. Nor is it to suggest that yet another federal bureaucracy or agency be created.

It is the value of planning in defining a national interest – those policies and actions of an economic, diplomatic, military and cultural nature that are advantageous to a country – that makes it useful in focusing and defining priorities, made decidedly more difficult in a pluralistic democracy than in a corporate or military command and control environment. It should also be acknowledged that it is easier to plan than to execute well. Grade A execution of a grade B plan is better than the reverse, as the expression goes.

While partisanship is certainly a constraint, it is fair to say that the United States nevertheless had a generally consistent plan for addressing the strategic challenge of the former Soviet Union: the nuclear triad and mutually assured destruction; competition through surrogate client states; support for the aspirations of Eastern Europe; and outspending the U.S.S.R., such that its economy eventually collapsed, unable to match the expenditures of the United States.

The problems of today are different of course. However, the process of developing a strategic plan would focus us on a sense of national imperatives and the resources to address them, with thought aforethought, rather than later when there is a crisis.

A strategic plan would affirm principle before analytics and budgets. For example, it would offer a framework in which to prioritize spending, besides on interest on the public debt and a level of entitlements such as Medicare and Medicaid, and it would put health care restructuring into a broader context of trade-offs. It would address a targeted use of debt by the public sector and a monetary policy to facilitate growth outcomes by the private sector.

It would focus on the value of free trade among nations, and the pros and cons of low cost outsourcing, including the related major supply chain risks, as well as loss of American jobs. It would define the mix of energy sources, both at present and in a target environment several decades from now, and the actions and resources needed to get there. It would also help us better construct our relationship with China – both a business partner and potential adversary.

A strategic approach would simulate levels of trade deficits using various rates of exchange for the Chinese currency, the yuan, and it would model the effect of a concentrated accumulation of U.S. Treasury instruments, the impact on interest rates, and the country's cost of debt capital in broad terms. Looking at dangerous trade imbalances with certain countries through a planning process is far preferable to realizing them after the fact, where several trade partners are able to exert influence over U.S. monetary policy.

No doubt our government is concerned with and focused on many of the foregoing issues. However, it is doing so through the short term prism of an annual budget, not through the prism of strategy – and it is doing so retrospectively, rather than strategically.

Most plans change with circumstances, sometimes known as a mid-course correction. And as President Eisenhower said, “Plans are nothing; planning is everything.” In view of the scale of the global challenges aligned against us, it might be wise to do something different – and write a strategic plan.