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ECONOMIC VIEWPOINT

By Jeffrey E. Garten

## More Tough Questions For The Candidates

Last month in this column, I bemoaned the lack of election-year debate on critical long-term economic challenges. I posed three illustrative questions I would like to ask President Bush and Senator Kerry in an interview: How they would deal with the costly retirement of baby boomers; the competitive challenge of China and India; and catastrophic poverty in developing countries (["Thorny Questions for the Next President,"](#) BW, Sept. 6). Judging from my mail, I sense keen interest in such fundamental issues. So here are three more questions I'd like to ask the candidates, plus the responses I'd hope to hear.

**HOW WOULD YOU ADDRESS AMERICA'S GROWING DEBT TO THE REST OF THE WORLD?** Our balance of trade and investment flows is deteriorating fast, heading toward an unprecedented 6% of gross domestic product. This is a 25% increase from last year. We now owe \$3 trillion abroad, up 100% since 2000, and we need to borrow more than \$1.5 billion per day from overseas lenders. Right now, in fact, foreign creditors are providing two-thirds of America's net domestic investment. If they lose confidence in the U.S. economy, they could quickly sell billions of dollars worth of Treasury bills and bonds, sending the dollar plummeting and sparking a global currency crisis. The Federal Reserve would then have to hike interest rates sharply to attract money from overseas. American mortgages, car loans, and credit-card bills would soar. The economy could go into recession.

At home, we have to reverse the reckless fiscal deficits that absorb our domestic saving and force us to borrow so heavily. We also must boost sales of U.S. products abroad by developing a workforce that can clearly dominate high-skill, high-wage global industries. That means more spending on research, more focus on education, and more effective worker-training programs. We must press Asian and European nations to deregulate their own economies to open them to more imports and stimulate GDP.

**HOW CAN WE PROTECT OUR CRITICAL INFRASTRUCTURE FROM TERRORISM?** The September 11 Commission underscored our general vulnerabilities, and the Bush Administration has admitted that key financial institutions are being targeted by al Qaeda. Whole sectors, such as the chemical industry, are dangerously exposed. The U.S. Coast Guard wants \$5.6 billion to minimally protect 95,000 miles of shoreline, but Washington has given less than one-tenth that. The federal government spends \$10 billion a year on missile defense but only a fraction of that on domestic counterterrorism.

The next Administration must rethink what assets we can protect and how we can limit the damage -- and quickly recover -- from an attack. We shouldn't be increasing our

defense budget by 50% while neglecting internal security, as we have done these past two years. Moreover, since the private sector owns more than 80% of America's production capacity, homeland security requires a level of government-business cooperation last seen during World War II. This collaboration should include CEOs, local governments, and first responders, and it must exist on federal and regional levels. We can no longer balance openness and security with the laws, institutions, and meager budgets that exist today.

**WHAT SHOULD WE DO ABOUT NATION-BUILDING IN THE FUTURE?** In both Afghanistan and Iraq, the U.S. was woefully unprepared for post-combat operations. America must get much better at helping failed or broken states such as Liberia, Haiti, or Yemen to achieve some stability. There are moral and economic reasons to help, but because these countries are global breeding grounds for insurgents, there is also a security rationale.

We must recruit and train specialists to help with the transition between the end of military hostilities and the establishment of civilian governments. Relying on combat soldiers for that, as we now do, doesn't work. A new nation-building corps will need skills to deliver emergency medical care, train police, and rebuild schools and roads. It must be flexible and able to move quickly, much as our domestic Federal Emergency Management Agency operates. It will need to work closely with our armed forces, with nongovernmental organizations such as CARE, and with the U.N.

With less than one month before Election Day, I doubt the candidates will give us their views on these issues. Shame on them, and shame on us, the American voters, for not having demanded that they do.

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