OPINION Contributor

From possibility to austerity

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Like the slow plunging of ice shelves, the vulnerabilities least visible from the center may be precisely those that most threaten the global system's long-term viability.

In the wake of the Cold War, the United States faced an ongoing dilemma of superpower proportions: Should it accept the global policeman's badge and use its military might to patrol the world's trouble spots? In many cases, it did. Ironically, following a decade-long spending spree, the question is no longer whether the U.S. should continue honoring this responsibility, but rather whether it can afford to do so.

Trumpeting the benefits of economic interdependence around the globe, U.S. policymakers have overlooked the potential costs of free trade and unrestricted capital flows that developing country politicians internalized years ago. Now U.S. officials are reminded that when economic interdependence turns into economic dependence, it creates a harsh reality where the politics of possibility can quickly become the politics of austerity. A growing foreign debt has not only changed U.S. domestic politics, but also infused more of a multilateral tone into its global politics. Notwithstanding the U.S.'s seismic economic and military strength, partisan conflict over domestic budgetary pressures exposes the fault lines of the post-Cold War hegemonic order.

Over the last decade, the U.S. government adopted a strategy from the Latin American playbook, opting to use foreign funds to finance its budget deficits. In a management blunder of historic magnitude, George W. Bush swung the federal budget surplus deeply into the red. Borrowing trillions of dollars from foreigners, including China, the Bush administration funneled debt proceeds toward lofty tax cuts, a dual-front war in Iraq and Afghanistan, "global war on terror," and homeland security spending. Shockingly, the Bush administration not only expanded national debt by one-quarter of its size in eight short years, but in doing so, became increasingly reliant on foreign creditors. This practice was a clear break from the past. By the end of Bush's time in office, foreigners held about two-thirds of the government's total debt.

In light of the dollar's global reserve currency status, the U.S. government should continue to readily attract foreign capital for the foreseeable future. However, the U.S. suffers from a more immediate vulnerability. Against the backdrop of the Republicans' mid-term election victory, spending cuts have again taken center stage. Reminiscent of the Contract for America, House Speaker John Boehner and his cadre of Republican peers are proposing billions in budget cuts that include foreign military and developmental aid. In his State of the Union address, President Obama similarly seized the "post-crisis" political window, emphasizing the need to reverse the country's "legacy of deficit spending."

The emergence of austerity politics in North America has important geopolitical implications. Is the United States' ability for global leadership waning? While a wave of democratization and the proliferation of new states flourished in the 1990s under the watchful eyes — and active support — of the United States (and its allies), today this commitment may be wavering. The substantial drop in U.S. foreign aid, investments and contributions toward weak states around the developing world could be seen as important signs of this trend. Pundits have commented on the U.S. absence in the most recent wave of protests in the Middle East; part of this was dictated by the politics of austerity at home. Despite its low-profile and multilateral approach during the Libyan intervention, the Obama administration still met significant domestic resistance from across the political spectrum.

In the hopes of enhancing its geopolitical sphere of influence, the U.S. government has often invested in the smallest nations (e.g. trading preferences, IMF financing privileges, military investments, and development aid). Indeed, although the economic rules of the game are skewed in its favor, the U.S. sometimes changes these rules to benefit the smallest nations for political purposes. With the rise of austerity politics, however, the U.S. may not be as willing — or able — to extend such trade and finance benefits to smaller nations.

Cloaked in a rhetoric of economic nationalism and austerity, the U.S. may withdraw support from small, strategically less important countries, like Djibouti, placing the latter's economic and political survival at risk. The U.S. urges developing nations to open their borders, yet it champions "Buy American" shovel-ready projects and its own protection for pharmaceuticals. Refusing to liberalize its agricultural sector, the U.S. has left the multilateral Doha development round mired in a stalemate, instead aggressively negotiating bilateral deals with South Korea, Panama and Colombia.

Faced with such economic institutional gridlock globally and higher budget constraints domestically, does the United States still have the political will and resources to preserve all of its spheres of influence? Is it willing to be the world's sheriff, especially given its recent difficulties in Afghanistan and Pakistan?

There is a very real temptation for the United States to neglect the prosperity and security of the periphery. Mired in its own economic struggles, the U.S. may contemplate withdrawing from its geopolitical commitments. But there is rarely a void in the international system. Other actors, such as Iran, Russia or China, may seek to fill it. Whether conflict is instigated internally such as in Libya or by the interference of stronger neighbors such as in Bahrain, political opportunism could quickly escalate into full-blown conflict. Like the slow plunging of ice shelves into the arctic, the vulnerabilities least visible from the center may be precisely those that most threaten the global system's long-term viability.

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