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### **The Bubble of American Supremacy**

*A prominent financier argues that the heedless assertion of American power in the world resembles a financial bubble—and the moment of truth may be here*

BY GEORGE SOROS\*

It is generally agreed that September 11, 2001, changed the course of history. But we must ask ourselves why that should be so. How could a single event, even one involving 3,000 civilian casualties, have such a far-reaching effect? The answer lies not so much in the event itself as in the way the United States, under the leadership of President George W. Bush, responded to it.

Admittedly, the terrorist attack was historic in its own right. Hijacking fully fueled airliners and using them as suicide bombs was an audacious idea, and its execution could not have been more spectacular. The destruction of the Twin Towers of the World Trade Center made a symbolic statement that reverberated around the world, and the fact that people could watch the event on their television sets endowed it with an emotional impact that no terrorist act had ever achieved before. The aim of terrorism is to terrorize, and the attack of September 11 fully accomplished this objective.

Even so, September 11 could not have changed the course of history to the extent that it has if President Bush had not responded to it the way he did. He declared war on terrorism, and under that guise implemented a radical foreign-policy agenda whose underlying principles predated the tragedy. Those principles can be summed up as follows: International relations are relations of power, not law; power prevails and law legitimizes what prevails. The United States is unquestionably the dominant power in the post-Cold War world; it is therefore in a position to impose its views, interests, and values. The world would benefit from adopting those values, because the American model has demonstrated its superiority. The Clinton and first Bush Administrations failed to use the full potential of American power. This must be corrected; the United States must find a way to assert its supremacy in the world.

This foreign policy is part of a comprehensive ideology customarily referred to as neoconservatism, though I prefer to describe it as a crude form of social Darwinism. I call it crude because it ignores the role of cooperation in the survival of the fittest, and puts all the emphasis on competition. In economic matters the competition is between firms; in international relations it is between states. In economic matters social Darwinism takes the form of market fundamentalism; in international relations it is now

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leading to the pursuit of American supremacy.

Not all the members of the Bush Administration subscribe to this ideology, but neoconservatives form an influential group within it. They publicly called for the invasion of Iraq as early as 1998. Their ideas originated in the Cold War and were further elaborated in the post-Cold War era. Before September 11 the ideologues were hindered in implementing their strategy by two considerations: George W. Bush did not have a clear mandate (he became President by virtue of a single vote in the Supreme Court), and America did not have a clearly defined enemy that would have justified a dramatic increase in military spending.

September 11 removed both obstacles. President Bush declared war on terrorism, and the nation lined up behind its President. Then the Bush Administration proceeded to exploit the terrorist attack for its own purposes. It fostered the fear that has gripped the country in order to keep the nation united behind the President, and it used the war on terrorism to execute an agenda of American supremacy. That is how September 11 changed the course of history.

Exploiting an event to further an agenda is not in itself reprehensible. It is the task of the President to provide leadership, and it is only natural for politicians to exploit or manipulate events so as to promote their policies. The cause for concern lies in the policies that Bush is promoting, and in the way he is going about imposing them on the United States and the world. He is leading us in a very dangerous direction.

The supremacist ideology of the Bush Administration stands in opposition to the principles of an open society, which recognize that people have different views and that nobody is in possession of the ultimate truth. The supremacist ideology postulates that just because we are stronger than others, we know better and have right on our side. The very first sentence of the September 2002 National Security Strategy (the President's annual laying out to Congress of the country's security objectives) reads, "The great struggles of the twentieth century between liberty and totalitarianism ended with a decisive victory for the forces of freedom—and a single sustainable model for national success: freedom, democracy, and free enterprise."

The assumptions behind this statement are false on two counts. First, there is no single sustainable model for national success. Second, the American model, which has indeed been successful, is not available to others, because our success depends greatly on our dominant position at the center of the global capitalist system, and we are not willing to yield it.

The Bush doctrine, first enunciated in a presidential speech at West Point in June of 2002, and incorporated into the National Security Strategy three months later, is built on two pillars: the United

States will do everything in its power to maintain its unquestioned military supremacy; and the United States arrogates the right to pre-emptive action. In effect, the doctrine establishes two classes of sovereignty: the sovereignty of the United States, which takes precedence over international treaties and obligations; and the sovereignty of all other states, which is subject to the will of the United States. This is reminiscent of George Orwell's *Animal Farm*: all animals are equal, but some animals are more equal than others.

To be sure, the Bush doctrine is not stated so starkly; it is shrouded in doublespeak. The doublespeak is needed because of the contradiction between the Bush Administration's concept of freedom and democracy and the actual principles and requirements of freedom and democracy. Talk of spreading democracy looms large in the National Security Strategy. But when President Bush says, as he does frequently, that freedom will prevail, he means that America will prevail. In a free and open society, people are supposed to decide for themselves what they mean by freedom and democracy, and not simply follow America's lead. The contradiction is especially apparent in the case of Iraq, and the occupation of Iraq has brought the issue home. We came as liberators, bringing freedom and democracy, but that is not how we are perceived by a large part of the population.

It is ironic that the government of the most successful open society in the world should have fallen into the hands of people who ignore the first principles of open society. At home Attorney General John Ashcroft has used the war on terrorism to curtail civil liberties. Abroad the United States is trying to impose its views and interests through the use of military force. The invasion of Iraq was the first practical application of the Bush doctrine, and it has turned out to be counterproductive. A chasm has opened between America and the rest of the world.

The size of the chasm is impressive. On September 12, 2001, a special meeting of the North Atlantic Council invoked Article 5 of the NATO Treaty for the first time in the alliance's history, calling on all member states to treat the terrorist attack on the United States as an attack upon their own soil. The United Nations promptly endorsed punitive U.S. action against al-Qaeda in Afghanistan. A little more than a year later the United States could not secure a UN resolution to endorse the invasion of Iraq. Gerhard Schröder won re-election in Germany by refusing to cooperate with the United States. In South Korea an underdog candidate was elected to the presidency because he was considered the least friendly to the United States; many South Koreans regard the United States as a greater danger to their security than North Korea. A large majority throughout the world opposed the war on Iraq.

September 11 introduced a discontinuity into American foreign policy. Violations of American standards of behavior that would have been considered objectionable in ordinary times became accepted as

appropriate to the circumstances. The abnormal, the radical, and the extreme have been redefined as normal. The advocates of continuity have been pursuing a rearguard action ever since.

To explain the significance of the transition, I should like to draw on my experience in the financial markets. Stock markets often give rise to a boom-bust process, or bubble. Bubbles do not grow out of thin air. They have a basis in reality—but reality as distorted by a misconception. Under normal conditions misconceptions are self-correcting, and the markets tend toward some kind of equilibrium. Occasionally, a misconception is reinforced by a trend prevailing in reality, and that is when a boom-bust process gets under way. Eventually the gap between reality and its false interpretation becomes unsustainable, and the bubble bursts.

Exactly when the boom-bust process enters far-from-equilibrium territory can be established only in retrospect. During the self-reinforcing phase participants are under the spell of the prevailing bias. Events seem to confirm their beliefs, strengthening their misconceptions. This widens the gap and sets the stage for a moment of truth and an eventual reversal. When that reversal comes, it is liable to have devastating consequences. This course of events seems to have an inexorable quality, but a boom-bust process can be aborted at any stage, and the adverse effects can be reduced or avoided altogether. Few bubbles reach the extremes of the information-technology boom that ended in 2000. The sooner the process is aborted, the better.

The quest for American supremacy qualifies as a bubble. The dominant position the United States occupies in the world is the element of reality that is being distorted. The proposition that the United States will be better off if it uses its position to impose its values and interests everywhere is the misconception. It is exactly by not abusing its power that America attained its current position.

Where are we in this boom-bust process? The deteriorating situation in Iraq is either the moment of truth or a test that, if it is successfully overcome, will only reinforce the trend.

Whatever the justification for removing Saddam Hussein, there can be no doubt that we invaded Iraq on false pretenses. Wittingly or unwittingly, President Bush deceived the American public and Congress and rode roughshod over the opinions of our allies. The gap between the Administration's expectations and the actual state of affairs could not be wider. It is difficult to think of a recent military operation that has gone so wrong. Our soldiers have been forced to do police duty in combat gear, and they continue to be killed. We have put at risk not only our soldiers' lives but the combat effectiveness of our armed forces. Their morale is impaired, and we are no longer in a position to properly project our power. Yet there are more places than ever before where we might have legitimate need to project that power. North Korea is

openly building nuclear weapons, and Iran is clandestinely doing so. The Taliban is regrouping in Afghanistan. The costs of occupation and the prospect of permanent war are weighing heavily on our economy, and we are failing to address many festering problems—domestic and global. If we ever needed proof that the dream of American supremacy is misconceived, the occupation of Iraq has provided it. If we fail to heed the evidence, we will have to pay a heavier price in the future.

Meanwhile, largely as a result of our preoccupation with supremacy, something has gone fundamentally wrong with the war on terrorism. Indeed, war is a false metaphor in this context. Terrorists do pose a threat to our national and personal security, and we must protect ourselves. Many of the measures we have taken are necessary and proper. It can even be argued that not enough has been done to prevent future attacks. But the war being waged has little to do with ending terrorism or enhancing homeland security; on the contrary, it endangers our security by engendering a vicious circle of escalating violence.

The terrorist attack on the United States could have been treated as a crime against humanity rather than an act of war. Treating it as a crime would have been more appropriate. Crimes require police work, not military action. Protection against terrorism requires precautionary measures, awareness, and intelligence gathering—all of which ultimately depend on the support of the populations among which the terrorists operate. Imagine for a moment that September 11 had been treated as a crime. We would not have invaded Iraq, and we would not have our military struggling to perform police work and getting shot at.

Declaring war on terrorism better suited the purposes of the Bush Administration, because it invoked military might; but this is the wrong way to deal with the problem. Military action requires an identifiable target, preferably a state. As a result the war on terrorism has been directed primarily against states harboring terrorists. Yet terrorists are by definition non-state actors, even if they are often sponsored by states.

The war on terrorism as pursued by the Bush Administration cannot be won. On the contrary, it may bring about a permanent state of war. Terrorists will never disappear. They will continue to provide a pretext for the pursuit of American supremacy. That pursuit, in turn, will continue to generate resistance. Further, by turning the hunt for terrorists into a war, we are bound to create innocent victims. The more innocent victims there are, the greater the resentment and the better the chances that some victims will turn into perpetrators.

The terrorist threat must be seen in proper perspective. Terrorism is not new. It was an important factor in nineteenth-century Russia, and it had a great influence on the character of the czarist regime, enhancing the importance of secret police and justifying authoritarianism. More recently several European

countries—Italy, Germany, Great Britain—had to contend with terrorist gangs, and it took those countries a decade or more to root them out. But those countries did not live under the spell of terrorism during all that time. Granted, using hijacked planes for suicide attacks is something new, and so is the prospect of terrorists with weapons of mass destruction. To come to terms with these threats will take some adjustment; but the threats cannot be allowed to dominate our existence. Exaggerating them will only make them worse. The most powerful country on earth cannot afford to be consumed by fear. To make the war on terrorism the centerpiece of our national strategy is an abdication of our responsibility as the leading nation in the world. Moreover, by allowing terrorism to become our principal preoccupation, we are playing into the terrorists' hands. *They* are setting our priorities.

A recent Council on Foreign Relations publication sketches out three alternative national-security strategies. The first calls for the pursuit of American supremacy through the Bush doctrine of pre-emptive military action. It is advocated by neoconservatives. The second seeks the continuation of our earlier policy of deterrence and containment. It is advocated by Colin Powell and other moderates, who may be associated with either political party. The third would have the United States lead a cooperative effort to improve the world by engaging in preventive actions of a constructive character. It is not advocated by any group of significance, although President Bush pays lip service to it. That is the policy I stand for.

The evidence shows the first option to be extremely dangerous, and I believe that the second is no longer practical. The Bush Administration has done too much damage to our standing in the world to permit a return to the status quo. Moreover, the policies pursued before September 11 were clearly inadequate for dealing with the problems of globalization. Those problems require collective action. The United States is uniquely positioned to lead the effort. We cannot just do anything we want, as the Iraqi situation demonstrates, but nothing much can be done in the way of international cooperation without the leadership—or at least the participation—of the United States.

Globalization has rendered the world increasingly interdependent, but international politics is still based on the sovereignty of states. What goes on within individual states can be of vital interest to the rest of the world, but the principle of sovereignty militates against interfering in their internal affairs. How to deal with failed states and oppressive, corrupt, and inept regimes? How to get rid of the likes of Saddam? There are too many such regimes to wage war against every one. This is the great unresolved problem confronting us today.

I propose replacing the Bush doctrine of pre-emptive military action with preventive action of a constructive and affirmative nature. Increased foreign aid or better and fairer trade rules, for example, would not violate the sovereignty of the recipients. Military action should remain a last resort. The United

States is currently preoccupied with issues of security, and rightly so. But the framework within which to think about security is *collective* security. Neither nuclear proliferation nor international terrorism can be successfully addressed without international cooperation. The world is looking to us for leadership. We have provided it in the past; the main reason why anti-American feelings are so strong in the world today is that we are not providing it in the present.