

USAWC STRATEGY RESEARCH PROJECT

**THE NATIONAL ECONOMIC STRATEGY:
SECURITY AND PROSPERITY TODAY AND TOMORROW**

by

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ABSTRACT

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America has at its disposal the elements of national power (diplomatic, information, military, and economic) to support the U.S. National Security Strategy. The prudent use of these elements protects and strengthens, defines, and allows the U.S. to remain the lone superpower. However, globalization, technological advances, and alliance building increase but at the same time can erode America's power. The efficient and effective use of America's assets to meet National Security Strategy objectives must be clearly understood and articulated. Some of these elements of national power are clearly defined, as is the military arm through its National Military Strategy. Other elements are less clearly defined which leads to governmental and corporate decision-making not always in tune with U.S. objectives.

One element of critical importance with the recent explosion in technology and globalization is the economic arm. In the future, soft power may carry a larger impact than hard power ever has, depending on the circumstances and countries involved. Today, there is no document that captures the U.S. national economic strategy, but rather, a plethora of policies, regulations, and laws that provide ways to an end but without real structure or clarity. This paper provides a framework for an economic strategy for now and the future, using the U.S. Army War College strategy model of ends, ways, and means and the National Military Strategy format.

TABLE OF CONTENTS

ABSTRACT.....	III
THE NATIONAL ECONOMIC STRATEGY: SECURITY AND PROSPERITY TODAY AND TOMORROW	1
I. THE NATIONAL ECONOMIC STRATEGY	3
A. STRATEGIC GUIDANCE	3
1. The National Security Strategy	3
2. The National Economic Strategy in Support of the National Security Strategy	3
B. THE ROLE OF THE NATIONAL ECONOMIC STRATEGY.....	4
C. KEY ASPECTS OF THE ECONOMIC ENVIRONMENT.....	4
1. The Domestic Environment	5
2. The International Environment	5
II. NATIONAL ECONOMIC STRATEGY OBJECTIVES, CONCEPTS, AND RESOURCES	6
A. OBJECTIVES	6
B. CONCEPTS AND RESOURCES	7
1. Economic Security Concepts and Resources	7
2. Long-term Prosperity Concepts and Resources	11
3. Economic Development Concepts and Resources	15
III. USE OF ECONOMIC ELEMENT OF NATIONAL POWER	18
IV. CONCLUSION	19
ENDNOTES	21
BIBLIOGRAPHY	23

THE NATIONAL ECONOMIC STRATEGY: SECURITY AND PROSPERITY TODAY AND TOMORROW

The National Security Strategy recognizes the importance of strengthening our economic security, expanding trade and investment, and promoting economic development. We are working to achieve these goals through diplomacy and by sharing the experience of our own development, based on our political and economic freedoms. Success in achieving these economic policy goals is a core part of our National Security Strategy.¹

The United States economy is impacted by a variety of factors—politics, domestic issues, international security, information technology, foreign assistance, inter-governmental organizations (IGO's), non-state actors, globalization, and even the weather. The ability for the U.S. to remain the lone superpower is significantly influenced by its economic situation; it is clear that U.S. economic might will have a significant impact on how the U.S. interrelates as globalization increases. Yet economics, one of the vital elements of national power, is not adequately addressed at the national level. While various governmental organizations and agencies provide information concerning our economic means and ways to meet National Security Strategy (NSS) objectives, there is no consolidated U.S. national economic strategy that clearly defines or articulates overall economic objectives.

So why does America not have a National Economic Strategy (NES)? There are two primary reasons: governmental organization and economic complexity. Current governmental organization and functional responsibility do not mandate any one department or agency to produce such a document. Yet, nearly every department and agency² has a stake in such a strategy. One government department, the Department of Defense, has written its own subordinate strategy, the National Military Strategy, to support the NSS. But writing such a document requires manpower, vast expertise, budgeting, and a connection to the ebb-and-flow of policy and legal change. All of which will be influenced by politics. Ultimately, the president retains responsibility for long-term economic strategy, as he does for military strategy, but which department would be responsible for a NES?³

During the mid-70s recession, considerable debate surrounded developing an economic strategy, yet none evolved due to the complexity of economic planning at the national level. A long list of issues confronts policy makers when considering economic strategy. Domestically, taxes, jobless rates, import/export tariffs, government budget, technology controls, environmental issues, and energy top the list. Internationally, security, trade relations, trade alliances, sanctions, economic development, foreign aid, and humanitarian issues require consideration. Capturing a NES, given this plethora of issues, is difficult at best. But as

terrorism, globalization, technology enhancements, and rapid logistics change the world, America needs to develop a long-term economic grand strategy consistent with and supporting the NSS if the U.S. desires continued world economic leadership,

The NES needs to present a long-term strategy to coincide with the NSS. The current NSS provides an overview of the president's economic objectives and perspectives, and looks at the U.S. economy through two different, but interconnected, lens. The primary domestic focus is to "use our economic engagement with other countries to underscore the benefits of policies that generate higher productivity and sustained economic growth."⁴ America's international economic objective is to "ignite a new era of global economic growth through free markets and free trade."⁵

The scope of the NES must be broad, but should use the Army War College strategy model of ends (objectives)-ways (concepts)-means (resources) to provide structure and clarity to strategy. Ends or objectives define what is to be achieved, ways or concepts tell how the ends are to be achieved, and means or resources tell with what (the tools) the concepts are executed. Historically, American economic policy has been domestically focused--it is wise to address critical international elements such as trade policy and alliances, economic development, foreign aid, technology controls, environmental concerns, as well as punitive measures such as embargoes, unfavorable trade policies, and import/export regulations. In short, the NES must "encompass the entire complex nature of the political, legislative, and administrative measures,"⁶ covering both domestic and international issues, transnational corporations, and regulatory laws.

To effectively develop and implement a plan, positive endorsement from the legislative branch is required. While potentially difficult to obtain, the long-term gains associated with a NES could be broad and far-reaching, from both a domestic and international perspective. The planning process should be bi-partisan and unbiased—development of a full-time, professional core of economic experts whose task is the NES would allow for a professional product. To politicize the NES would do a disservice to NSS and NES objectives.

With this as a foundation, and based on the NSS as well as documents from various government departments and agencies, presidential speeches, National Economic Council writings, and regulations and laws, a proposed National Economic Strategy that supports both current and future NSS objectives is presented.⁷

I. THE NATIONAL ECONOMIC STRATEGY

The National Economic Strategy (NES) supports the National Security Strategy (NSS) and provides the United States government, corporate America, small business, and each individual American our nation's strategy for maintaining our economic security and strength while improving the quality of life both at home and abroad.

A. STRATEGIC GUIDANCE

1. The National Security Strategy

The president's NSS provides the vision to spread economic prosperity through democracy, globalization, and free trade while improving the lives of all peoples. The NSS requires "economic engagement with other countries to underscore the benefits of policies that generate higher productivity and sustained economic growth." This strategy requires active economic partnership by the U.S. government, our allies' governments, and inter-governmental organizations such as the World Bank, multi-national corporations, and individual citizens. Such partnerships will not only enhance U.S. national security, but will create conditions that allow democracy, freedom, security, and prosperity to spread around the globe.

2. The National Economic Strategy in Support of the National Security Strategy

A strong world economy enhances our national security by advancing prosperity and freedom in the rest of the world.

- National Security Strategy
September 2002

Economics plays a major role in shaping the world and we must capitalize on our economic strength to enhance our national security and prosperity. The U.S. will develop trade policies, promotions, and alliances with countries that support America's ideals of liberty and freedom. Economic development monies and foreign aid to countries on the brink of such ideals will be provided by the United States, allowing these countries to become self-sufficient and prosper well into the 21st century. We will develop technology controls that allow our allies to benefit from the great leaps technology provides in the distribution of wealth, health care, agriculture, and labor standards. There is sound reason to encourage environmental friendliness and the use of raw materials wisely. To prevent our enemies from engaging in threats to the U.S. and its allies, the United States will use economic sanctions, embargoes, and financial regulations, along with encouraging inter-governmental organizations such as the United Nations, World Bank, International Monetary Fund, and European Union to do to the

same, thus ensuring America's freedoms remain intact. Our economic power is one element of our national strength that will help protect the United States.

B. THE ROLE OF THE NATIONAL ECONOMIC STRATEGY

The NES derives its objectives from an analysis of the NSS, current policies, laws, regulations, and the global environment. The NES provides a broad-based, long-term context for shaping America's economic future and provides lawmakers a path on which to reform laws to enhance economic prosperity, America's allies a basis for trade, corporate America a view on issues important to American economic security, and each U.S. citizen an understanding of their government's plan for the future. National economic planning should view the economy as a whole, considering each of its many intertwined sectors. The NES should balance economics with security and cooperation with competition.

Homeland security is the nation's number one priority. The U.S. economy's function in protecting the homeland is complex and crosses all spectrums of American life, from government spending to taxes to import and exports. **Economic security** is one of the first lines of defense in protecting the United States from outside threats. A strong economy allows the United States to remain a world leader, provides hope and inspiration for others, increases American benevolence, and supports a strong military.

Our economic strategy must strive for **long-term prosperity**. An environment of full employment, wealth distribution, investment in the future, renewed health and education systems, and a balanced government budget provides economic security and improves the quality of life for Americans. Steady growth allows for return on investment, secure retirements, and a reduction in government regulation. This type of growth also allows investment in foreign enterprise, furthering our economic security.

Since the National Security Strategy of 1994, **promoting economic development** through the pursuit of open markets and free and fair trade initiatives has been a centerpiece of U.S. economic policy. Expanding and promoting free trade develops strong alliances and enhances multinational partnerships in every endeavor—from conflict to peacekeeping to foreign aid to humanitarian assistance to economic alliances. The U.S., along with all our global partners, must maintain the ability to open markets around the world and support countries that desire honest, credible economic development.

C. KEY ASPECTS OF THE ECONOMIC ENVIRONMENT

Achieving the objectives of **security, prosperity, and development** requires an understanding of our domestic and international environment. Over the last 20 years the world

has become smaller—through the Internet, overnight shipping, and expansion of multi-national corporations. We have traditionally viewed our economic partners around the globe as good for our economy, for they have spurred our competitive nature and entrepreneurial spirit. But today, we face an environment that we have never faced before, one that forces us to view our economic objectives from a new perspective. Terrorism, near economic peer competitors, job loss due to a rapidly evolving economy, and cataclysmic man-made and natural disasters demand our attention.

1. The Domestic Environment

The United States faces economic challenges today unlike any in our history. Traditional concerns such as government spending, the deficit, jobs, individual and corporate taxes, personal savings, social security, and interstate commerce pervade. But we also face new domestic challenges that require bold, innovative solutions that allow America to maintain a strong economy while defending its shores. The terrorist attacks of September 11, 2001, changed the way we deal with economic issues such as government spending. While not strictly economic, defense, education, transportation, and health care all have deep economic underpinnings that require attention. Recent scandals in corporate America have tarnished our nation's financial stability and political discord has deepened America's divide on how to manage our economy. Natural disasters such as hurricanes, floods, and earthquakes have had devastating economic impacts on selected communities, forcing millions out of jobs and out of their homes. Out-sourcing of jobs and environmental concerns permeate each sector of industry and must be reconciled. Our economic policies and legal system must be capable of rapidly changing to meet these traditional and non-traditional challenges.

2. The International Environment

Global economics remains a diverse, complex issue that requires cooperation and flexibility to effectively elevate global wealth. The international economic environment is not a stand-alone issue-- domestic economics, international economic relations, domestic politics, and foreign politics--all play integral parts in how we view and shape this environment. International economic policies are intended to change the ways in which goods, services, and capital flow across borders, while considering such issues as national security and social stability. These policies take the form of cooperative agreements, loans, foreign aid, tariffs, and trade barriers. The opportunity lies ahead to open new markets to free trade and enhance the quality of life for people around the world. Cooperative efforts, such as the North American Free Trade Agreement (NAFTA), allow steady growth and economic prosperity for all participatory

countries. Cooperation with inter-governmental organizations such as the European Union, African Union, World Bank, and International Monetary Fund enhance U.S. market access and the free flow of goods and services.

More than just traditional economic issues impact the framework of the international environment. We must also consider these realities:

- Population growth
- Population shift from developing to developed countries
- Movement from rural to urban areas
- Gap between rich and poor people as well as nations
- Competition with countries with cheap labor
- Oil dependency
- Foreign strategic material wealth

Lastly, the international economic situation is also impacted by conflict, to include the Global War on Terror and regional disputes. These wars will continue to have devastating economic impacts, locally, regionally, and globally. Each year nations spend record amounts on defense. While we must partner with our allies to eliminate terrorism and reduce the number of regional conflicts, it is not a cheap proposition—militarily, diplomatically, or economically. We must continue to form cooperative global policies to ensure freedom of trade, security, and peace.

II. NATIONAL ECONOMIC STRATEGY OBJECTIVES, CONCEPTS, AND RESOURCES

Economic growth supported by free trade and free markets creates new jobs and higher incomes. It allows people to lift their lives out of poverty, spurs economic and legal reform, and the fight against corruption, and it reinforces the habits of liberty.

- National Security Strategy
September 2002

A. OBJECTIVES

The NES objectives of **security, prosperity, and development** are the ends of the strategy that will meet the NSS objectives to "...use our economic engagement with other countries to underscore the benefits of policies that generate higher productivity and sustained economic growth" and to "ignite a new era of global economic growth through free markets and free trade." These objectives will guide our future policies, regulations, and laws, to ensure the

United States remains free from aggression and economically stable. These objectives apply to both the U.S. domestic economy and the global economy.

B. CONCEPTS AND RESOURCES

NES objectives are met through the application of economic concepts and resources. These concepts and resources require the collaboration, and often the cooperation of, U.S. government, corporate America, our economic allies, and inter-governmental organizations. The concepts and resources provide the specific tools needed to meet NES objectives and support NSS economic objectives as well.

1. Economic Security Concepts and Resources

The first priority to help protect the United States is economic security. Economic security depends on our ability to define the global or international economic environment as well as the domestic environment and seeks ways to reduce international instability. America's ability to protect and advance economic interests, both globally and domestically, despite events that may threaten such interests requires a multi-faceted approach. Government, combined with corporate America, must leverage our influence within the world community. Our economic success of the past reinforces that we must continue to reach out and help our allies to enhance our own security.

a. **To achieve the objective of global economic security** there are two concepts: prevailing against adversaries and embracing globalization.

(1) **Prevail against adversaries.** The key to global economic security is establishing and maintaining an environment where the free market system can operate without restrictions or limitations for fear of safety. Essential to such a marketplace is the maintenance of a strong global defense. America's strong defense through the Department of Defense, other government agencies, and cooperation with corporate America, along with the invaluable assistance of our allies, has allowed the global marketplace to prosper even during the Global War on Terrorism. We must continue to partner with and enable our allies in this war on terror by assisting them in maintaining regional stability and supporting global peace initiatives in all regions of the world. We must choke off terrorist funding. Terrorist organizations have traditionally employed fraud, extortion, and bribery as means to economic stability. Today illegal drugs, human smuggling, front companies, money-laundering, and broad-based, global contributions are their primary economic means. In conjunction with our allies and the United Nations, we must deny terrorists the ability to raise, transfer, and spend money through the use

of financial institutions and economic trade sanctions that discourage government support of terrorism.

(2) **Embrace globalization.** Every day our world becomes more connected—globalization has linked us forever socially, culturally, and economically. Seizing the global initiative toward free trade and cooperation will enhance our economic security. The common understanding and acceptance of global alliances, regional partnerships, bi-lateral agreements, and inter-governmental organizations are required to support the global economy. Supporting organizations and agreements such as the United Nations, Northern Atlantic Treaty Organization, NAFTA, and the European Union allow America to have a strong voice in global issues. To fully embrace globalization, the establishment of a fair and balanced global trade and legal system must be adopted, immigration treaties must be signed and enforced, humanitarian assistance must be provided before famine strikes in beleaguered areas, disaster relief rendered promptly, and foreign aid distributed for development. Safe cross-border transportation of goods, services, and people is required for continued economic security. International, national, and local maritime, aviation, rail, and ground transport organizations play a crucial role in planning and executing security measures and should be fully funded for both trade and security purposes.

(3) **Resources.** The resources required to execute the concept of prevailing against adversaries are primarily military forces. We should continue to fund a strong military to ensure our Department of Defense personnel receive the best training and equipment to support their missions. The U.S. military requires sufficient funding for research and development of future weapons and support systems. In our struggle against terrorism, funding foreign nation's defense infrastructures makes sense as well. Through arms sales, increased military training by U.S. forces, and cooperative training programs, our allies will share the burden of the Global War on Terrorism. This all requires the maintenance of the current defense budget, and in the future, possibly an increase. The U.S. should lead a global task force to stop terrorist funding by developing alliances, encouraging inter-governmental organizations and our allies to participate, and establishing and funding an international center to coordinate this effort.

To embrace globalization, both monetary and intangible resources should be applied. Monetary resources include the continued use of foreign aid and monetary support to global financial institutions to help developing nations become part of the global economy and allow nations struck by disaster to remain solvent and stable. Additionally, to preserve the safe and effective passage of goods and services between nations, the U.S. should devote financial resources to not only securing safe passage to and from the U.S., but globally, through the

development of an international transportation consortium. Treaties, pacts, and organizations that allow technology, goods and services, and ideas to flow freely across borders should be supported by the U.S. to enhance globalization. Other means or resources to support these objectives are diplomats and financial experts.

b. **To achieve the objective of domestic economic security** there are three concepts: sound fiscal policy, sensible energy and raw material policy, and gaining corporate America's cooperation.

(1) **Sound fiscal policy.** Development of a long-term economic policy that provides the opportunity for steady growth of real incomes, full employment, a favorable U.S. balance of trade, and a strong dollar will enhance domestic economic security. Economic indicators such as the inflation rate, gross national product, and prime interest rate are widely used to shape U.S. economic policy and provide indications of a potential weakening dollar or the return of inflationary recession. Fiscal policy should be a flexible instrument, available to respond to these future economic downturns and minimize their effects. Reducing the federal deficit is also crucial to future economic security. Periods of lesser economic growth contribute to deficits, along with increased governmental spending requirements such as the Global War on Terror. At record deficits today, we are obligated to reduce the deficit through reduced government spending and growth. Macroeconomic measures such as an aggressive trade policy to increase demand for U.S. goods and services abroad and response to Third World debt are in order. Federal Reserve policies should be capable of controlling inflation, increasing savings and investment rates, and controlling money supply growth through their interest rate adjustments. U.S. reliance on foreign lending must decrease as well. Incentives for U.S. based investments such as reduced taxes for capital gains, tax credits for investment in U.S. infrastructure, and corporate tax reform make fiscal sense and should be enacted.

(2) **Sensible energy and raw material policy.** Access to or the possession of energy and raw materials that fend off economic challenges is critical to economic security. We need secure reliable energy and raw material supplies at reasonable prices—Congress must pass legislation which minimizes our risk of material shortfalls for economic and defense requirements, thus enhancing our ability to produce and store energy and raw material or rapidly acquire sufficient amounts for use. Continued research and development for diverse fuel and material sources, and the development of domestic energy sources coupled with conservation will ensure sufficient material quantities. Storage statutes of critical reserves, land use, environmental, and regulatory policies must be evaluated in terms of national and economic security to do what makes sense for the U.S. Cooperation with the International

Energy Agency has provided established procedures for uninterrupted oil production and distribution; the U.S. must take similar actions toward other key raw materials to ensure security, prosperity, and growth. We need a comprehensive energy protection plan to safeguard our nuclear facilities, refineries, production plants, and power grid—this will require capital investment in research, development, and security from both corporate America and federal government. It should be economically feasible for corporations to invest in research and development efforts in these critical areas.

(3) **Gaining corporate America's cooperation.** Today's U.S. based multi-national corporations play a significant role in defining U.S. economic policy. As prominent players in the global market, their contribution to the global economy should express the finest of American qualities—fair labor practices, environmental responsibility, and reasonable work conditions. Corporations have a responsibility to the U.S. as well, to promote our democratic ideals and support U.S. economic objectives while operating within acceptable profit margins. Protection of key technologies and trademark rights, combined with continued research and development, will allow America to rapidly and decisively prevail against our adversaries while remaining globally competitive. Corporations also share responsibility for future U.S. economic development. While government encourages a global free market system, there is a balance between corporate profits and fiscal responsibility. Corporate America shoulders the burden for fair work practices, fiscal responsibility, worker education and training, safety enhancements, and environmental compliance. Government at all levels and corporate America should seek every means possible to keep jobs in America.

(4) **Resources.** Sound fiscal policy requires a unique resource—the willingness of the citizens of the U.S. to endure periods of inflation or recession with trust and patience. This is the tangible resource of national will. U.S. citizens will realize that these conditions are not lasting, and with yet another intangible resource, leadership, a more prosperous future will result. Economics and business have natural market fluctuations that when unnaturally corrected through poor legislation or policy, lead to longer negative results. To combat this circumstance, positive political forces are a resource. The federal government should continue to adhere to sound fiscal policies, allowing economics to operate without undue interference while reducing the deficit through less government intervention and efficiency gains.

Resources for a sound energy and raw material policy center on the U.S.'s ability to procure, store, and safeguard these critical commodities. Thus, more equipment and workers in this sector must be encouraged. Researchers and scientists are needed in this sector to reduce our dependency. Current energy infrastructure must be a top security priority. The protection of

these commodities is in our national security interest and federal funds should be expended for equipment, personnel, and policies that ensure resource viability. Additionally, private and public research projects that hold promise for lesser consumption of raw materials should be fully funded.

Gaining corporate America's cooperation can be resourced primarily through positive subsidy and tax programs, and supportive politicians and government bureaucrats. To continue to prevail in the future, government at the federal, state, and local levels must support specific industries such as aerospace, chemical, bio-engineering, and weapons development programs, which without government support, could collapse due to market limitations for their products. Corporations and businesses that support U.S. objectives and keep jobs in America should be rewarded with tax incentives such as reduced taxes and special consideration for government contracts. Leadership within the government and the private sector is needed in this regard.

2. Long-term Prosperity Concepts and Resources

The second objective of the NES is prosperity, both globally and domestically. An educated, productive work force, combined with new technology, will enable the United States to continue to manufacture the quality goods demanded worldwide as well as provide services in support of the financial, agricultural, manufacturing, energy, and technology sectors. The prospect of these markets largely depends on government and industry cooperation, through legal and tax reforms, to meet international and national demand for goods and services.

a. **To achieve the objective of long-term global prosperity** there are two concepts: maintaining a stable international financial environment and promoting free trade.

(1) **Maintain a stable international financial environment.** The U.S. economy will only remain stable so long as the international financial environment remains stable and well-functioning. Critical to maintaining strong financial systems is balanced global economic growth. U.S. macro and micro economic policy have to encourage growth both at home and abroad. Our current trade imbalance requires fundamental changes to our import and export regulations and tax codes to ensure long-term steady economic growth, such as trade negotiations to increase exports and making it possible and feasible to take advantage of the world's lowest cost levels. Tied directly to this growth is price and interest rate stability and exchange rate volatility. A fiscal policy, set by the Federal Reserve Board, which is flexible and will allow quick response to market fluctuations, will ensure stability for increased business opportunities, expanded trade, and capital flow into the U.S. as well as provide a level of financial and economic security globally. Promoting preventative financial stability through

loans and debt forgiveness from organizations such as the International Financial Institution and Inter-American Development Bank allows front-line nations in the Global War on Terror to not be threatened financially or economically. Third World debt currently exceeds \$1.3 trillion and continues to hamper world growth and economic stability. In conjunction with the International Monetary Fund and World Bank, international repayment and debt forgiveness policies, led by the U.S., should be developed to allow these countries to grow and prosper financially but responsibly. Burden sharing among the allies has become a key international consideration as the Global War on Terror expands--previous security arrangements have become obsolete. A substantial reallocation of responsibilities according to economic capacity, and carrying with it a corresponding reallocation of economic rights, will assist in stabilizing the global financial market.

(2) **Promote free trade.** The U.S. promotes market-oriented economic policies around the globe to spread economic freedom and prosperity and should aim to achieve free trade agreements with both developed and developing countries. Developing and reforming countries often need assistance in establishing new market-oriented approaches after years of state-dominated economic policies. While supply-and-demand economics appears simple, in practice, government involvement often hampers the free trade concept. To promote global free trade, the U.S. should encourage a global reduction of government interference in the market place, as the success of the global economy depends on market access. As both buyers and sellers, the U.S. objective should be to ensure access to foreign markets by strengthening international cooperation on trade protocol, making continuous progress toward expanding world trade, and developing understandable and predictable market rules that are not easily manipulated by regional alliance or national government impulses. The top priorities are to resolve any ongoing disputes in an effort to promote free trade, assist developing countries in establishing free trade agreements, and address issues that impede U.S. exports. To accomplish these priorities, the U.S. must use venues such as G-8 conferences and the World Trade Organization as well as bi-lateral discussions to facilitate the enforcement of international law regarding trade agreements, government subsidies, the practice of dumping, and international industrial espionage, which undermines fair competition. Effective international trade policies will help developing countries in global competition, investment, the rule of law, and the safe and efficient use of resources while opening their societies, increasing growth, confidence, and opportunity. Free trade agreements that ensure a level playing field, protect basic worker rights, provide an acceptable standard of living, and meet environmental standards will open global markets. Technology that enhances productivity and effectiveness should flow

freely, but international piracy regulations must be vigorously enforced to protect investment. Countries that demonstrate stability, fiscal responsibility, and a willingness to participate in the global economy should be rewarded by key international financial institutions with low-interest rate lending that supports growth and encourages investment. Economic and trade strategy is dependent on a productive partnership between the White House and Congress. In 2002, Congress passed the Trade Promotion Authority and other market opening measures for developing countries. These initiatives are the type of cooperation required for the expansion of markets and liberalization of trade.

(3) **Resources.** Maintaining a stable international financial environment requires resources. The resource is U.S. leadership within the international community. The U.S. must lead by example and be generous in debt forgiveness by providing low interest loans for countries that are responsible, yet struggling. U.S. government offices should be willing and capable of providing personnel and expertise, for long durations if necessary, to help foreign governments establish fiscal policies. The U.S. should assist in funding government experts, both U.S. and foreign, continued educations to ensure each country has its most qualified and educated personnel handling these complex matters.

To promote free trade globally, the U.S. should take a leadership role and review current U.S. legislation as well as international treaties. Agreements such as NAFTA should be expanded to allow our trading partners equal and unhampered access to our markets, with equal status to theirs. The U.S. government should create an office dedicated to monitoring global trade and increasing U.S. trade. Diplomats, trade specialists, and financial specialists are needed here to facilitate agreements furthering free trade.

b. **The objective of long-term domestic prosperity** is achieved by the following concepts: full employment and reforming education, health care, and retirement systems.

(1) **Full Employment.** The U.S. economic strategy and a strong economy are deeply rooted in the full, productive employment of Americans and should reward those who work hard by creating new and better jobs. Workers must be prepared to move into the skilled jobs the ever-changing global economy demands and a principle aim of economic policy should be to raise workers' skill levels to increase productivity. Corporations shouldering this burden should receive tax credits and our education system, from primary grade school through technical and advanced degree programs, must support this objective. Skilled jobs demand the appropriate infrastructure and by creating tax credits that encourage investment in new plants and productive equipment at home, the U.S. will remain a primary competitor in the global economy. Over the last 15 years the American standard of living has increased modestly but we have

become the world's largest debtor. It is essential that the U.S. significantly raise its level of domestic investment and savings, which lead directly to full employment. A balanced package of cuts in government programs and a fiscally responsible tax code, designed to slow the rise of public spending, will lead to greater individual savings and reduction in personal debt along with increased domestic infrastructure investment. The U.S. should continue its welfare-to-work programs by encouraging those out of work to seek training and education, and provide relief to those small businesses and corporations who embrace these programs. As the U.S. economy moves up-and-down, the U.S. has a responsibility to ensure that the poorest groups are not hit hardest with inflation or the first to lose their jobs in a downward economy. Savings and welfare-like programs from federal, state, and local government and private industry should be employed to lessen any downward economic turn, as well as stop the outsourcing of jobs. Full employment relies on economic wealth-sharing and our legislation should ensure that workers are fairly compensated.

(2) **Reforming education, health care, and retirement systems** . The root of U.S. economic prosperity and development is the American worker. To remain competitive within the global work force, the U.S. requires an educated and healthy work force. Investment in our education system, from the No Child Left Behind Act to worker retraining, should encourage American workers to attain lifelong education. Government funding of primary education at the federal, state, and local levels should continue to grow as this is the future work force's foundation. College-level programs are available to all citizens and federal and state funding, along with corporate and private assistance, will ensure all who desire education can attain it. Corporate America's responsibility to retrain workers to become efficient, effective, and competitive should be rewarded with tax credits and other incentives from all levels of government.

A healthy America is a productive, prosperous America. America's working families need greater access to affordable health insurance through association health plans and government subsidized programs for those families unable to afford coverage. The cost of health care rises annually at rates the average citizen cannot afford—we must reduce health care cost. Medical industry costs are driven higher each year by excessive regulatory requirements, unwieldy drug approval processes, and frivolous lawsuits. The medical industry, in conjunction with Congress, should work to reform medical laws and regulations to reduce paperwork, eliminate administrative overhead from the bottom up, enhance incentives for research and development, streamline drug approval processes, and place limits on medical liability. Reducing doctor's paperwork will allow each doctor to see more patients daily. Research and development costs

are astronomical, but the U.S. government should continue to provide monetary incentives for companies searching for new treatments to debilitating diseases and other means to improve the health of our citizens.

Americans work hard all their lives and should have a secure retirement. Our social security system should allow older Americans to retire and live comfortably. Legislation that provides for a lesser tax burden for elderly Americans, the individual management of retirement savings, and significant tax credits for those caring directly for the elderly ensures secure retirements.

(3) **Resources.** The resources required for the full employment of America and education, health care, and retirement system reforms are primarily personnel and monetary. Raising workers technical skills and efficiency requires continuous training and education and leads to full employment. Hence, teachers are a valuable resource. Welfare-to-worker programs are not the only programs that require funding—funding should be allocated for individual worker training that enhances government efficiency and protects key infrastructure. Private industry investment in worker training and efficiency gains should be rewarded with tax incentives. Additionally, we should ensure education funding at the lower levels is managed to ensure quality teachers and sound curriculum are used to develop a quality work force in the future. Similarly, political leadership is required to reform the health care (Medicare) and the retirement system (Social Security). This is likely to require funding short term. The funding for medical research and the development of life-saving procedures and drugs is critical. Educational opportunities for doctors and researchers must be available to all who are qualified.

3. Economic Development Concepts and Resources

The third objective of the NES is promoting economic development, both at home and abroad. America's ability to increase economic development enhances and promotes the first two objectives of economic security and prosperity. Global and domestic investments in infrastructure, research, development, and venture capital as well as education, health services, telecommunications, and transportation will lead to economic expansion. This expansion leads directly to increased standards of living, national and regional stability, and ultimately improves national security.

a. **The objective of international economic development** has two concepts: free trade and building stability.

(1) **Free trade.** Clearly, open markets through free trade are a critical component to international economic development. The promotion of free trade will allow the natural market

economy to grow and prosper. Free trade will allow the global population to see the benefits of their hard work, ideas, and local efficiencies along with the benefits of democracy and freedom. The U.S. objective of economic development is achieved by opening markets to promote free trade. This involves the crafting of trade agreements and their acceptance by Congress. Adherence to “fast track” is helpful in this respect.

(2) **Building stability.** A stable global financial market alone is not enough to spur international economic development. The stability of emerging nations benefits directly from regional initiatives, free trade agreements, and working relationships with trade organizations and international governmental organizations. Key to open markets in these developing countries is population stability. International government organizations such as the U.N. and regional organizations like the E.U. should promote stability through foreign aid, public health programs, and agricultural subsidies. When disaster strikes, the global community should respond positively to quickly assist rebuilding countries so recession, famine, and lawlessness do not prevail. Foreign aid and investment from the U.S. government and private sector can assist in stabilizing these countries, but the U.S. will be cautious that investment matches willingness for fair standards, open markets, and trade balance.

(3) **Resources.** The resources required to execute the concepts of free trade and building stability are broad. Global free trade and stability will be enhanced through foreign aid, such as the Millennium Challenge Accounts, managed by the new Millennium Challenge Corporation. These accounts should be fully funded, as foreign aid works best by accelerating economic development. However, this aid should only be distributed to countries that are committed to democratic government, fair trade, workers rights, and environmental responsibility. Programs that build and sustain developing countries infrastructure, agricultural, educational, and medical infrastructures should be supported. As required, our military, with its vast inventory of equipment and expertise, should be used to support stability operations globally. Economic development abroad will lead to stability for our allies and ultimately economic and national security. Trade specialists, financial experts, diplomats, and political leadership within the executive branch and Congress are key to success here. Instruments such as trade agreements serve as a resource.

b. **The objective of domestic economic development** has two concepts: tax and legal system reform and upgrading infrastructure.

(1) **Tax and legal system reform.** To continue U.S. economic development, free enterprise must flourish and reform of our tax and legal systems will allow for relative security in starting new businesses and investing in America. Our tax policies require major overhaul, from

corporate tax law to individual assessments. Legislation should implement new and innovative tax concepts to ensure government is funded for its roles and functions while still fostering economic growth, job creation, and an increased standard of living.

Pro-growth legal and regulatory policies should be adopted to encourage business investment, innovation, and entrepreneurial activity, by streamlining regulations and reducing administrative requirements. Endless and unreasonable government regulation can slow an economy and burdens each American. While environmental, worker safety, and unfair practice laws are required and will be enforced, we should simplify regulations so businesses can focus on their core functions, not on laws and regulations. The culture of our legal system allows for class action and tort lawsuits—we should ensure through legislation that those who are actually harmed are appropriately and fairly compensated. Our tax codes should ensure companies that prosper here pay their fair share and do not manipulate tax laws to their advantage. While competition within the free market is encouraged, federal, state, and local incentives should focus on keeping America's plants open. Each citizen should be encouraged to invest in America's future and federal and state laws should not penalize fair profits. The capital gains and inheritance tax codes require modification to allow maximum investment by Americans in America.

(2) **Upgrading infrastructure.** For continued domestic economic growth, America's infrastructure must continue to evolve. Government maintains the responsibility to provide a secure workplace, sufficient infrastructure to support the movement of commerce, and corporations and small businesses the ability to freely market their goods and services. All these responsibilities cost money and each citizen and corporation share this burden. The federal government, working with state and local governments, should ensure that valuable taxpayer dollars are not wasted on frivolous projects, but rather that every dollar is wisely spent on keeping America safe and the means of commerce open and secure. Various departments such as Transportation, Energy, Commerce, Labor, and Agriculture will provide a roadmap to the future regarding the most appropriate means to upgrade U.S. infrastructure while corporate America should continue its plant and commerce upgrades to remain globally competitive.

(3) **Resources.** To reform the tax and legal systems, the U.S. requires significant legislation modification, which requires political leadership. Bi-partisan agreement is required to change tax laws, legal codes, and regulatory functions—these changes require a fundamental shift by both parties to a more moderate stance. The U.S. should also increase the capabilities of the Internal Revenue System to equitably collect taxes from corporations, small businesses, and individual citizens. Lawyers with financial expertise are required.

Upgrading infrastructure is both a public and private venture for the maintenance, upgrade, and security of transportation networks, communications systems, and energy facilities to meet demands now and tomorrow. Corporate America should keep pace with technology to remain competitive while government continues to maintain a secure workspace through security programs, appropriate funding of programs, and hiring of personnel to support these programs.

III. USE OF ECONOMIC ELEMENT OF NATIONAL POWER

U.S. economic policies play a vital role in international affairs and can be utilized as peace and stability tools. At times, the U.S. implements economic policies when countries do not act in accordance with international law or take aggressive actions. Support of these policies from our allies and inter-governmental organizations such as the U.N. make them stronger and more effective. Our trade policies are based on foreign countries adhering to the basic standards of fair trade, humane treatment of workers, and international environmental regulations. When countries violate these standards, the U.S. may take economic action against a particular country. These policy changes require much consideration as the second and third order effects can be devastating to countries economically, socially, politically, and from a humanitarian affairs standpoint. However, the use of economic power may be preferred over diplomatic, informational, or military methods and must be considered when dealing with international crises.

A wide variety of methods can be implemented to enforce transaction regulations, with import and export restrictions as the most traditional method. Goods and services being imported from a country, either directly or indirectly, to the U.S. may be completely sanctioned. Similarly, exports to a country, directly or indirectly, may be limited as well. These import and export restrictions may be limited to individuals, companies, entire industries, or the nation as a whole. U.S. citizens, companies, the financial industry, and their foreign branches may be prohibited from conducting financial transactions with a country and its financial and business institutions. The U.S. government may restrict its dealing with a country, to include freezing assets, reducing or eliminating financing purchases, restricting or eliminating humanitarian donations, decreasing or eliminating economic development incentives, reducing or eliminating foreign aid, and regulating foreign estate issues.

Other concepts not specifically economic but that have significant consequences to economics may also be implemented. Travel may be banned to and from a country, to include leisure travel not originating from the U.S. Student visas may be revoked or restricted.

Business communications may be limited, although personal communications that do not involve any business or financial information will rarely be limited. Immigration may be limited or banned, to include foreign nationals seeking U.S. citizenship but not arriving from the country-of-origin. Persons seeking asylum will be dealt with on a case-by-case basis. Transportation of goods, services, and people may be limited based on import/export and travel restrictions. The transfer of technology may be restricted, although human need technologies such as agriculture and medical technologies will rarely be limited.

IV. CONCLUSION

Today, economics plays as prominent a role as military and diplomatic efforts did in the past in defining America. The NES focuses America on maintaining **economic security** while ensuring **long-term prosperity** and providing future **economic development**. To succeed, all levels of government, corporate America, small business, and each individual citizen must participate and contribute. Executing this strategy will require hard work, dedication, and bi-partisan agreement. While the NES defines specific tasks for government and private enterprise, it is the cooperative efforts of the White House, Congress, governmental agencies, and business that will achieve these national economic objectives.

WORD COUNT=7417

ENDNOTES

¹ Alan P. Larson, "Economic Priorities of the National Security Strategy;" available from <http://usinfo.state.gov/journals/itps/1202/ijpe/pj7-4larson.htm.>>; Internet; accessed 12 November 2004.

² Government agencies that have a primary stake in a NES include:

National Security Council	Department of Energy
National Economic Council	Congress
Department of State	Environmental Protection Agency
Department of Defense	Council of Economic Advisors
Department of Treasury	Office of Management and Budget
Department of Commerce	U.S. Trade Representative
Department of Labor	Federal Reserve
Department of Agriculture	Science and Technology Board
Department of Housing/Urban Development	Small Business Administration
Department of Transportation	

³ Government reorganization will not be addressed in this thesis. However, it is the opinion of the author that an independent, non-partisan group should be formed to develop the NES.

⁴ George W. Bush, *The National Security Strategy of the United States of America* (Washington, DC: The White House, September 2002), 17.

⁵ *Ibid.*, 1.

⁶ Wassily Leontief, "National Economic Planning – Methods and Problems," *Challenge*, (July/August 1976): 6.

⁷ Endnotes have been excluded from the document itself because the intent of the product is to mimic other strategy documents which do not have footnotes. Clearly many ideas and concepts have been taken from current strategy documents, periodicals, books, studies, research papers, and government web sites.

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