

The Texas Bar Journal graciously thanks Secretary James A. Baker III for allowing us to reprint his 2012 Annual Meeting Bar Leaders Recognition Luncheon speech in its entirety.

“America’s Place in the World”

By James A. Baker III

Thank you, Andy, for that generous introduction. Thank you to the State Bar of Texas for inviting me to speak today. But more importantly, thanks to all of you out there for your dedication to a profession that provides our nation with one of its greatest strengths — the rule of law.

That rule of law is a bedrock of the American system of governance, one that distinguishes our country and generates great respect from others around the world.

Yes, lawyers can be the butt of jokes. And Mark Twain did speak some truth when he said that, “If you laid all of our laws end to end, there would be no end.”

But I will note that Mark Twain quote and counter with one from Aristotle, who more than two thousand three hundred ago said that: “At his best, man is the noblest of all animals; separated from law and justice he is the worst.”

Ladies and gentlemen, I have been asked to speak today about America’s place in the world. You know, there’s a lot of talk now about America’s decline. Such worries aren’t new. I’m old enough to remember when we were warned: that democracies were too weak to defeat communism; that the European Union would eclipse the United States; and that the future belonged to Japan.

Of course, we all know how those predictions worked out.

Nonetheless, “declinist” talk is growing louder — and it’s not hard to understand why.

The last decade has taken a toll on our country. The terrible attacks of 9/11 set the tone. Since then we have endured a financial collapse, a protracted recession, a fiscal crisis that threatens the creditworthiness of the U.S. government, and a polarized politics that makes it ever more difficult to govern. Abroad, we embarked on two long and costly wars, plus one air war in Libya — (although the conflicts in Libya and Iraq have ended and our military intervention in

Afghanistan is winding down). If that weren't enough, we are bombarded with news about the immense economic strides taken by China. And almost daily, it seems, some pundit is reminding us how other great powers, from Rome to Great Britain, all fell into eclipse.

Now, I believe this talk of U.S. decline is very exaggerated.

Despite our current difficulties, and they are substantial, the United States is easily the world's most powerful country — diplomatically, militarily, and, yes, even economically. With foresight and effort, we can retain our upper hand for a very long time.

But only if we find the political will to restrain our appetite for more and more spending and debt.

It's sometimes easy for us to underestimate America's strengths.

At home, we are blessed with an astonishingly stable political system — even if it is very messy from time to time. We have been governed by the same constitution since 1789. The younger of our two major political parties is over 150 years old! And we routinely transfer power without tanks in the streets.

We also have a buoyant economy. That represents 25 percent of total global G.D.P. Are we going through hard times today? Indeed, we are. In fact, we are totally broke. But that should not blind us to our vast physical and human capital, our track-record of innovation, and our strong entrepreneurial tradition. In addition, our population is growing, in large part because of substantial immigration. This gives us an edge over China, Japan, Russia, and Western countries which possess workforces that are aging far more rapidly than our own. And immigration is not just important in quantitative terms. It also gives us a qualitative advantage, as some of the finest minds from around the world flock to American universities, research institutions, and companies.

Perhaps most importantly, Americans are a creative people who respond to challenges. In the 21st century world that *New York Times* columnist Thomas Friedman likes to call “flat,” one with a globalized economy where all competitors have an equal opportunity at markets, innovation will continue to be an overriding key to success. And innovation continues to be what America does best.

The legacies of Henry Ford and Thomas Edison have remained vibrant in Bill Gates and Steve Jobs. Jobs' death at such an early age is tragic. But others surely will follow in his impressive footsteps. That's just the way our country works.

Meanwhile, our international strengths are also impressive.

The U.S. military is unchallenged in terms of its ability to project force. There is simply no other country that can undertake an operation of the size and duration of our 2003 invasion of Iraq.

Our far-flung array of alliances, most notably in Europe and Asia, allows us to leverage power through collective action. NATO and our bilateral treaties with Japan and South Korea make the United States both an Atlantic and a Pacific power.

And our ideology of free market democracy has no rival of global appeal. Communism — except in backwaters like Cuba and North Korea — has been discredited. And radical Islamic fundamentalism is, by its very nature, limited in its appeal.

And, finally, let us not forget, other countries have their problems too. As a result, there is no obvious successor to the United States in the wings.

European economic cooperation, for example, is under severe strain. With several EU states facing a debt crisis — including Greece and Spain — there is growing doubt about the future of monetary union, the centerpiece of European integration.

Japan, too, is hardly a picture of economic health. Its growth has been sluggish for well over a decade, its government debt is even higher than ours in relative terms, and its rapidly aging population will constrain growth for decades.

Even China's challenge to U.S. preeminence diminishes on close inspection.

But, don't get me wrong. China's economic transformation over the last quarter century is perhaps the most impressive in world history. Today, China is investing in the dams, highways, airports, railways, and other infrastructure that will make it even more competitive in the global economy.

And it is taking huge strides in educating its giant population. China's rise is surely one of the most important economic and geopolitical developments of the 21st century.

A survey by the Pew Center last year indicated that citizens in 15 of 22 nations polled believe that China either will replace or has already replaced the United States as the world's

leading superpower. In fact, according to the poll, almost half of the citizens in three of America's strongest allies — Britain, France and Germany — name China as the world's leading economic power.

Still, we must keep a sense of proportion.

In military terms, China lags far behind us. For example, the United States fields no less than eleven aircraft carrier groups. These permit us to police the world's sea-lanes and support amphibious operations around the globe. China, in contrast, has a single aircraft carrier, a refurbished 1980s-era Soviet vessel. We should, of course, closely monitor China's military program, especially its efforts to develop additional naval and air capacities. For now, however, it is spending far less on its military than the United States. And so for the near future, we need not panic.

China also wields far less diplomatic influence than the United States. It may no longer be the isolated country it was as late as the 1970s. But China signally lacks the network of treaty allies that the United States can call upon in times of need.

In addition, China's economy — as impressive as it is — will not keep growing at a ten percent annual rate forever. As countries modernize, their growth rates tend to taper off. Moreover, we should not underestimate the huge economic challenges that China still faces. There is a growing disparity between prosperous urban areas and impoverished rural ones. And the country's financial sector is saddled by enormous amounts of bad debt associated with what appears to be a major housing bubble.

Not least, China's government is vulnerable to poor performance. It is only nominally Marxist, though highly authoritarian. In other words, it lacks the resilience conferred either by ideology or the consent of the governed. This stands in stark contrast to the United States.

Does anybody doubt that our constitutional system will be roughly the same in fifty years? Would anybody hazard a similar prediction about China?

Is China destined to be our enemy? I certainly hope not! There is clearly significant scope for cooperation. Expanded trade, regional stability, and energy security are just three areas where the U.S. and Chinese interests converge. Yes, there are strains in the bilateral relationships. Differences on Taiwan, Iran and Tibet come immediately to mind. But I also know that there is no surer way to find an enemy than go looking for one.

In short, we should seek to magnify our areas of agreement and find ways to manage our differences.

And remember — China is not the only major emerging power in the world today. India may not have posted China's blistering growth rates, but it is clearly a country on the rise. And it has long considered China its major strategic rival.

The important point is this: we are likely looking at a multi-polar world order, very different from the bipolar system that characterized the Cold War and the unipolar moment of unchallenged U.S. dominance that emerged in its immediate aftermath.

One final comment. Let us never forget that the rise of China, India, and others is not so much about the United States falling behind as it is about them embracing our economic paradigm of free markets and catching up. We should welcome that development.

My bottom line is straightforward. The United States should remain the world's preeminent power for years to come. But as with great nations throughout time, American power is not limitless. History shows that strategic and financial overreach can quickly lead to sharp and irreversible national decline.

So, how can we avoid such an outcome and maintain our position in the world?

Let me begin at home.

Perhaps most importantly, we absolutely must cure our political dysfunction and restore comity to our political debate. I understand that politics has always been a contact sport. I've played it. And I've got the bruises to show for it! In recent years — driven by a 24/7 news cycle that thrives on controversy — Washington has become a place where some consider “compromise” to be a dirty word. But bipartisanship remains as critical as ever. Why? Because bipartisanship facilitates the passage of politically difficult, if necessary, legislation. And bipartisanship fosters continuity of government by reducing the chance that policies are reversed when the other party comes to power.

Such bipartisanship will be critical, for instance, in restoring our economy, which remains the underlying source of our military and diplomatic power.

Today, the most important place to start is to defuse our ticking debt bomb. Our accumulated debt is slated to be above 100 percent of GDP for the next five years. That is simply unsustainable. Although the United States is unlikely to default on its debt, we might be tempted

to inflate our way out of a debt crisis since we are the de facto reserve currency of the world. But, of course, this cure could be every bit as bad as the disease, leading to lower growth, and, potentially, the demise of the dollar.

Another critical task is reforming our tax code. As Ronald Reagan's Secretary of the Treasury, I am a firm believer that lower overall levels of taxation stimulate economic growth. Although reducing taxes might be a difficult task right now, we can still improve our tax regime on a revenue-neutral basis by eliminating loopholes and reducing marginal rates, just as we did in 1986. And by the way, as The Gipper used to always say: America is not undertaxed — we overspend!

Further, we must devise a comprehensive energy policy that allows us to develop domestic resources responsibly, encourage alternative energy sources, and bolster conservation. And, not least, we should improve our education system, particularly at the K-12 level

Now, what about foreign policy?

Here, we need to beware of strategic over-reach. Whatever one thinks of the wisdom of the wars in Iraq, Afghanistan and Libya, they constrain our ability to deploy force elsewhere. We should, of course, always be prepared to act when our vital national interests are at stake. But we should, whenever possible, avoid wars of choice. These not only strain our military forces; they will, over time, erode public support for U.S. engagement abroad more generally.

We should also redouble our efforts to expand free trade and investment, and avoid protectionist measures. The long-term growth of the U.S. and world economies remains highly dependent on the freest possible movement of goods, services, and capital. As a result, trade and investment should be at the very top of our international agenda.

Ladies and gentlemen, the other day, I did a little math and discovered that I've been alive for about a third of the existence of the United States. I don't know whether that shows how old I am or how young this country is.

But age does give me, I hope, a reasonably broad perspective on our country's history. I've seen this country pass through social revolutions, economic downturns, military setbacks, and political crises. And if I've learned one thing in my 82 years, it's this:

Never — never, never, never — bet against Uncle Whiskers!

When all is said and done, much of our success comes right down to character. It always has. And what is the American character? We're a resilient people. We're a pragmatic people. We're an optimistic people. We're a people of integrity. And we're a people of faith.

Americans not only face challenges. We welcome them.

And so, ladies and gentlemen, I am absolutely convinced that as long as we stay true to our national character, our future will be every bit as bright as our past.

Thank you.