

FOREIGN POLICY & DEFENSE

China's Inner Struggle

THE SOURCE: "Coping with a Conflicted China" by David Shambaugh, in *The Washington Quarterly*, Winter 2011.

David Petraeus, then a major general): an hourglass. "They met at just one narrow point"—a few antennas on top of a trailer in which the special operations forces worked. The antennas were incapable of transmitting classified information "with any timeliness." Units in Fallujah, Tikrit, and elsewhere could wait days before crucial intelligence was relayed to them. "Information we captured could not be exploited, analyzed, or reacted to quickly enough—giving enemy targets time to flee."

To keep up with Al Qaeda, the U.S. military needed to become more like a network. McChrystal and his staff took the simple step of convening a meeting of representatives of various U.S. military efforts in Iraq. A new system emerged, with a shorthand label only a military commander could love: F3EA (find, fix, finish, exploit, analyze). It brought together intelligence analysts; drone operators; combat teams; specialists to exploit information from cell phones, maps, and detainees seized during raids; and more intelligence analysts to distill that information. Operations that once took days now could be completed in hours. Soon, the number of daily operations increased tenfold, and success rates improved substantially.

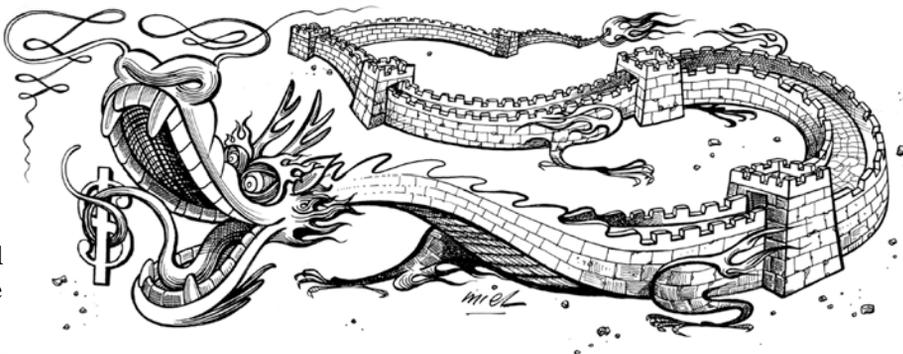
After serving as director of the Joint Chiefs of Staff for a little under a year back in Washington, McChrystal became the top commander in Afghanistan in 2009. There the networking of the military was already under way, and he pushed it along. What does it take to lead a network? Well, that's another story, says McChrystal.

U.S. POLICYMAKERS HAVE struggled to come up with the right way to handle China as it grows into a superpower. Before they fasten on a specific approach, they should tune in to the debates raging among China's elite about its foreign policy, writes David Shambaugh, a political scientist at George Washington University.

The questions before the Chi-

state that can navigate its own way in the world and resist outside pressures"—currently dominate. Realism has a long tradition in China, with academics, policy researchers, and members of the military among its influential adherents. Realists reject "concepts and policies of globalization, transnational challenges, and global governance" in favor of a narrowly self-interested foreign policy. Recent U.S. moves that are seen as hostile—such as the sale of a \$6 billion arms package to Taiwan—and China's humming economy have stoked realist sentiment.

China's nativist school advocates an isolationist foreign pol-



A frightening face masks deep disagreements over foreign policy among China's elites.

nese are fundamental: Should China be active in global affairs or isolationist? Should it draw on its military and economic might to reach its objectives or should it use soft power—diplomacy and culture? How much should China continue to focus on its relations with the United States?

In the swirl of these discussions, "realists"—who place "a premium on building up a strong

icy, arguing that China should avoid virtually all forms of international collaboration. Nativists, found mostly in the ideological wing of the Communist Party, are severely critical of capitalism and the United States, and believe that reform has compromised China's socialist integrity and autonomy. While nativists' ranks are increasing, especially among Internet-savvy youth, they play

second fiddle to the more pragmatic realists.

Taking a more conciliatory approach are those who value working with the West, particularly on matters that are in China's strategic interest. Some argue that China needs to keep its eyes trained on the "major powers," while Asianists contend that strengthening ties in China's backyard should be the priority. Members of these schools largely hail

from the country's foreign-policy establishment. They have some influence, but it is muted in the aftermath of the recent financial crisis, which reinforced Chinese skepticism of global governance structures.

Should the United States respond to China's current realist posture tit for tat? Shambaugh says no—that would risk a trade war. Though the realists and nativists hold the keys for now,

China can still be persuaded to make important contributions on issues of global concern such as North Korea's nuclear program. U.S. policymakers must be flexible. Glints of every school will come out in China's "schizophrenic" foreign policy. The best course is to "push Beijing for more, and publicly expose its minimalist contributions" to the global order while remaining aware of America's limited leverage.

ECONOMICS, LABOR & BUSINESS

The Inequality Engine

THE SOURCE: "The Inequality that Matters" by Tyler Cowen, in *The American Interest*, Jan.-Feb. 2011.

MANY SOCIAL CRITICS ASSAIL rising income inequality in America, but in the assessment of Tyler Cowen, a George Mason University economist and author of the

new book *The Great Stagnation*, it's what is causing the inequality that is truly troubling: namely, an unwieldy financial industry whose core practices undermine the stability of the economy and the prosperity it provides.

There is no question that income inequality has increased

over the last couple of decades. The share of pre-tax income earned by the richest one percent of Americans went from about eight percent in 1974 to more than 18 percent in 2007. But the real drama is at the apex of the pyramid: The richest 0.01 percent (about 15,000 families) claimed less than one percent of pre-tax earnings in 1974, but more than six percent in 2007.

What's fueling the gargantuan income increases of the mega-rich? It's not manufacturing,

EXCERPT

Financial Giants

Jan Pen, a Dutch economist who died last year, came up with a striking way to picture inequality. Imagine people's height being proportional to their income, so that someone with an average income is of average height. Now imagine that the entire adult population of America is walking past you in a single hour, in ascending order of income.

The first passersby, the owners of loss-making businesses, are invisible: Their heads are below ground. Then come the jobless and the working poor, who are midgets. After half an hour the strollers are still only waist-high, since America's median income is only half the mean. It takes nearly 45 minutes before the normal-sized people appear. But then, in the final minutes, giants thunder by. With six minutes to go they are 12 feet tall. When the 400 highest earners walk by, right at the end, each is more than two miles tall.

—*The Economist* (Jan. 22, 2011, Issue 36)