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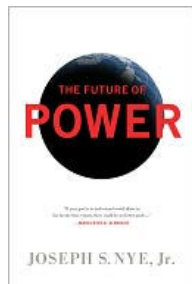
The End of Arrogance: America in the Global Competition of Ideas

**The Future of Power**

[Public Affairs Program](#)

[Joseph S. Nye, Jr., Joanne J. Myers](#)

February 10, 2011



The Future of Power

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**Introduction**

**JOANNE MYERS:** I'm Joanne Myers, director of Public Affairs Programs, and on behalf of the Carnegie Council, I'd like to thank you all for joining us on this special morning.

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[Soft Power: The Means to Success in World Politics](#) (Transcript)

Our speaker is not only a good friend of the Carnegie Council who has spoken here several times before, but his reputation as a renowned foreign policy analyst, former dean of the Kennedy School of Government, and as a respected and influential public servant precedes him. Joseph Nye is known for many things in foreign policy circles, but for most of us, he is associated with challenging conventional wisdom in international relations theory by coining the term "[soft power](#)."

Soft power, as many of you know, is the ability to get people to want what you want through attraction rather than through the [hard power](#) of coercion. Soft power arises from the attractiveness of a country's culture, political ideals, and policies.

Professor Nye's work on the soft-power elements of international diplomacy has achieved great authoritative stature and has had an increasingly visible impact on U.S. foreign policy. Yet even with the success of this approach, he believes that soft power is no longer enough to succeed on the world stage. With sources of power shifting to new resources, such as technology and globalization, Professor Nye examines what it will mean to wield power in the global information age of the 21st century.

But what exactly is power? Generally speaking, it is the capacity to control or dominate others, usually with the strength of force, in order to attain the outcome one wants. Throughout history, the nature of power and the resources that have supported it have varied according to the context. In the past, it was usually the nation with the largest army or navy that prevailed, but in the age of globalization and information technology, this is no longer the case.

In [The Future of Power](#), Professor Nye's latest book on this subject, he crystallizes decades of analysis about what power is and how it should be used. He explores such as issues as:

- How will power work?
- How is it changing in the 21st century?
- How will those changes impact America's role in the world?

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He examines two types of power shifts, power transitions and power diffusions, and the political impact that each will have. We are familiar with the transition of power between states that rise and fall, but the diffusion of power away from states to non-state actors requires a new approach to foreign policy, which Professor Nye christens "[smart power](#)."

He writes that smart power is the ability to combine hard and soft power into a winning strategy to accomplish one's goals. It integrates diplomacy, defense, development, and other tools of hard and soft power which are befitting for a global information age.

While many of Professor Nye's ideas have been at the heart of recent debates over the role America should play in the world, they are not limited to the United States alone. As he so eloquently explains, "It may be far from obvious how we measure the balance of power going forward or which strategy will be most effective for survival in this new environment."

But even so, for me, one thing remains clear: When it comes to having the right person to steer us towards a new and needed debate about power politics, it's no secret who that person should be. Professor Nye understands world affairs. He has the insights and the experience to be that innovative someone we all should be paying attention to. In order to have that opportunity, please join me on this cold morning to give him a very warm welcome. Our guest this morning, Joe Nye.

### Remarks

**JOSEPH NYE:** Thank you very much, Joanne. It's nice to be back at the Carnegie Council.

This organization over the years has produced the most thoughtful work on the role of ethics and morality in international affairs—thoughtful meaning that it doesn't just say, "Do good;" it says how you can do good. So it's a privilege to speak here and join you again. Thank you for that generous introduction.

I want to talk a little bit about my new book, *The Future of Power*. Some people might say, "Oh, no, not again. Why is he writing about this? Isn't this repeating himself?"

I don't think so. What this book does is summarize work that I have done for about 20 years and pull it together to ask, how will it look, forward 20 years? The time horizon for this book is what is going to be the first part of the 21st century.

As Joanne said, there are two great power shifts that are going on in the first part of the 21st century. One is what I call power transition from states to states, and the other is power diffusion from states to non-state actors. It makes it doubly hard to run a foreign policy in that kind of situation. Indeed, we are seeing some of that in [Egypt today](#).

But let me talk briefly about both of these and then have a chance to throw it open for your questions and our conversation.

When we talk about power transition among states, we often talk about this as "the rise of Asia." It really should be seen as the return of Asia. If you took a snapshot of the world in, let's say, 1800, Asia was more than half the world's population and more than half the world's product. By 1900, that same snapshot would show you more than half the world's population, but only 20 percent of the world's product.

What we are seeing in the beginning of this century is what you might call return to normality, that you will have an Asian product consistent with its share of the world's population. This actually starts with Japan in the late 20th century, goes on to Korea, and now everybody is focused on China. But let me tell you, the next step is India. Indeed, by 2050, there are some who predict

India will be certainly larger demographically, but will be giving China a run for its money economically as well.

These aren't straight-line projections, but by and large, this transition is not just the rise of China; it's a shift from West to East. It's an important factor, and something we are going to have to manage in foreign policy in the first half of the century. It's something we know something about. In other words, we have seen this kind of thing happen before.

The other great power shift is power diffusion from all governments or states, East or West, to non-government actors, that we know less about. That's going to be somewhat more challenging for us. It's a function of the information revolution. The information revolution is simply the acceleration in the technology of computing and communications.

Let me give you a couple of examples to dramatize this for you.

In 1970, if you wanted to be able to communicate, let's say, from New York to Johannesburg, Moscow, and Beijing simultaneously, you could do it, technologically. It was very expensive. When I was in the government in the 1970s, if you wanted to have a picture of any place on earth with 1-meter resolution, you could do it. We and the Soviets spent billions of dollars on it. If I had told you that at the time, I would have been thrown in jail. Today anybody can do this by going on Google Earth. Anybody can communicate around the world simultaneously for free on Skype.

What this has done is made enormous changes to who can play in world politics. Another way of thinking about this is that if the price of automobiles had declined as rapidly as the price of computing power, you could buy a car today for \$5.

When the barriers to entry decline that dramatically, everybody gets in the game. It doesn't mean the governments aren't the largest actors on the stage of world politics; it just means that the stage is very crowded. That requires a new way of thinking. You now have information super-empowering individuals—think [WikiLeaks](#)—but also super-empowering groups. Think of al Qaeda. There are bad, good, different types of groups, but it's a very crowded stage.

To understand the foreign policy in this kind of world, we are going to need a new narrative of power, a new understanding of what power means. All too often, we tend to think of power as just telling somebody to do something.

There is a famous book by a great Yale professor, [Robert Dahl](#), who says, "Power is the ability to get others to do what they otherwise wouldn't do." That is one face of power. But if I can get you to want what I want, then I don't have to twist your arm to get you to do what you otherwise wouldn't do.

Too often we conceptualize power in this simplistic way, just the so-called first face of power—to make people do what they otherwise wouldn't do. But if you can think of a second face of power, which is setting the agenda—and that could be the agenda of a small group or the agenda of world politics, so that some issues come up which are our issues and other issues don't come up, which may be the bad guy's issues—that's another face of power. The third face of power, which is establishing people's preferences, getting them to do what you want, that's best of all.

In policy terms we are going to have to think of how we establish others' preferences, how we set agendas, as well as how we use hard power to twist arms when that is necessary. Too often in our discourse in this country—but elsewhere—we limit ourselves only to the first face of power.

If the world is getting complex in the way I describe—the [rise of the rest](#), meaning other states doing better, and the rise of non-state actors—then it's our ability to create networks, maintain alliances, organization institutions,

that is going to set agendas and is going to establish preferences. That soft-power dimension has to be a larger component of the mix of smart power. It's not that hard power doesn't matter—it matters very much—but the mix is different in an information age.

[A.J.P. Taylor](#), the great Oxford historian who wrote [The Struggle for Mastery in Europe](#) in the 19th century, said that the defining mark of a great power is the ability to prevail in war. But in an information age, it's equally important—the mark of a great power is not just whose army wins, but whose story wins. Narrative, what we stand for, becomes tremendously important.

Running a foreign policy in these conditions is difficult. Again, to return to Egypt today, we have to deal with the government of Egypt. If we are concerned about preserving the independence and peace with Israel, if we are concerned about balancing Iranian power, we have to deal with the Egyptian government. They have the hard power.

But in the streets is a civil society which is listening for our narrative, and these are the people of the future. It's a very difficult way that we have to adjust policies so that we can do both at the same time. It's like walking on a tightrope, and as you can see, sometimes people wobble when they walk on tightropes. We have seen that in the last few weeks.

But that requires this new narrative, this new understanding of power. That's what I wrote this book about, which is to get Americans—but others also—to think about power in a much more sophisticated way, instead of this twisting arms, whose army is biggest wins, getting others to do what they otherwise wouldn't do. Yes, that's part of power, but it's not the whole of it, and an effective foreign policy has to look at all of these dimensions of power.

Let me say a couple of words about this question of transition of power that I skipped over rather quickly at the beginning, and particularly the rise of China.

Some people say, "What difference does it make if China gets more powerful or if it passes the United States?" The answer is, it can make a difference because it can lead to very bad policy decisions. If the Chinese, as they now believe, think the United States is in decline, they may suffer a certain hubris which makes them overly assertive, which makes it difficult for us to compromise with the Chinese because, when we compromise, they say "Ah, it proves it. They're in decline."

We have seen some of that in the last year and a half with the U.S.-China relations. That is difficult and dangerous, because it leads to a situation where we are going to have to cooperate with China on climate change, financial stability, pandemics, and so forth, but if every time we try to meet them halfway, they say, "Ah, it proves they're in decline," then you get bad policy outcomes. That's why this prevalent belief in China that the United States is in decline is particularly dangerous.

It could also be dangerous on the American side as well. If we become too fearful about our decline, we are likely to overreact—either to close ourselves off or to create a fear of China which becomes a self-fulfilling prophecy.

Remember the classic statement of [Thucydides](#) that the Peloponnesian War was caused by the rise in power of Athens and the fear that created in Sparta. Others have said the cause of World War I, which tore the European system apart in the last century, was the rise in power of Germany and the fear that created in Britain. There are some who say that's going to be the story of the 21st century: The rise in power of China and the fear that creates in the United States will lead to great conflicts.

That's wrong. But if you believe it, it can become true as a self-fulfilling prophecy.

Why do I think it's wrong? It's wrong because if you look at the figures, they just don't add up.

China, in terms of economic power—and I have a whole chapter in the book on economic power as such—China is probably going to be equal to the United States in overall size of its GDP sometime in the 2020s. But equality in size is not equality in composition of an economy.

China still has vast areas of poverty and huge inequality, which is growing very rapidly, among different regions. They are not out of the woods either demographically or in terms of political stability. When one looks at per-capita income, which is a better measure of the sophistication of an economy, they are not going to equal the United States, if they do, until well into the century—2040 or something of that sort.

Why is that interesting? Because if you look at this analogy people make with Germany, Germany had already passed Britain economically by 1900. If my numbers are correct, China is not going to pass us for at least a couple of decades or more. That gives us time. We don't have to have the fear. We can essentially manage this policy, because we have the time and space to do it.

What's more, a lot of the current views about the rise of China and the so-called threat that it poses focus very much on one dimension of power, economic power. They neglect two other dimensions of power—each has a chapter in my book—military power, where the United States is not only ahead, but likely to stay ahead for another couple of decades, and soft power, that ability to get what you want through attraction and persuasion.

China understands the importance of soft power. [Hu Jintao](#) told the 17th Party Congress in 2007 that China needed to invest in soft power. That's smart. If your hard power is rising, you are going to scare your neighbors into coalitions against you, but if you can develop soft power along with your hard power, that's a smart-power strategy. You are less likely to provoke those countervailing balances.

China has invested billions of dollars in this—the Beijing Olympics, the Shanghai Expo, the various Confucius Institutes around the world, new broadcasting by Chinese television internationally, and so forth. But they have a very hard time in projecting soft power because of their domestic political system. After all that investment, they go and lock up somebody like [Liu Xiaobo](#), throwing him in jail and preventing him going to the Nobel Prize ceremony. You just undercut that massive investment.

I remember giving a speech at Beijing University and students asked me, "How do we increase China's soft power?"

I said, "I'll tell you the answer, but you're not going to like it. Lighten up."

The reason they don't like it is because they can't do it. China is not going to equal the United States in soft power until you see real changes in China's domestic political system.

The other point to notice—I talked earlier about the rise of Asia. Asia is not one thing. It's many countries. They have quite different views about the rise of China. If you go to Japan, particularly in the aftermath of the [Senkaku or Diaoyu Islands contretemps](#) of last year, they now really want their American alliance. If you go to Vietnam, you find the same thing.

If you go to India, where I was last month—I met with the prime minister. Let me tell you, on the surface they want good relations with China; go one inch below the surface, and they are worried as can be about China. That's why they are going to get closer to the United States. In terms of power, traditional power politics, it's as though Canada and Mexico were asking China for military alliances against the United States. Why don't they do that? Because

essentially we do have soft power that accompanies our hard power.

This view that China is somehow about to overtake us and pass us, which, public opinion polls show, is the new conventional wisdom, is wrong. It wouldn't matter if it were merely wrong. Americans have been wrong about their power many times in the past. After Sputnik, the Soviets were ten feet tall. In the period of the [Reagan](#) deficits of the 1980s, the Japanese became ten feet tall. Today, after the 2008 financial crisis, the Chinese are ten feet tall. We outgrow this. It tells you more about American psychology than about reality.

It's important to have a realistic assessment of power relations so that you avoid these twin errors of bad policy. One is Chinese hubris pushing us so that we can't compromise with them, and the other is American fear, leading us to close ourselves off or to overreact to China. That's why the kind of assessment that I have made in this book about a realistic appraisal of what's happening in power transition is particularly important for good policy.

To summarize this or bring it to a conclusion, we have to realize that power today, in this century, is distributed, in a metaphorical sense, like a three-dimensional chessboard. On the top board of this three-dimensional game, the board of military power, the United States is the only superpower. It's the only country with the capacity to project military force globally. That's going to remain true for another couple of decades.

If you go to the middle board of economic relations between states, there the world is multipolar, and it has been for a couple of decades. This is the area where Europe can act as an entity, and sometimes does. When Europe acts as an entity, it has an economy larger than that of the United States. They can balance American power. China and Japan also can balance American power. So economically the world is multipolar. That's not new. It has been that way for 20 years.

If you go to the bottom board of transnational relations, things that cross borders outside the control of governments—everything from terrorism, to financial flows, to climate change, to pandemics, you name it—it makes no sense to call that unipolar or multipolar. Power is chaotically distributed. This is the area where these new non-state actors roam freely, if you like. The only way you can deal with this area, on the bottom board of this three-dimensional chess game, is through cooperation. It is basically through getting governments to work together, which makes us realize that it's not always just power over others; it's power with others that is important.

Here the United States has some unique advantages. Our openness and our values allow us to create networks and institutions, and maintain alliances in much better ways than others do. That's going to be where we have to exercise this smart strategy of combining hard and soft power, if we are going to have a sensible foreign policy for this new diffusion of power in the 21st century.

The "rise of the rest," and particularly of Asia, and the diffusion of power from governments to non-state actors are going to require us to become much more sophisticated in the way we think of what power is and to put a bigger mix of soft power, along with hard power, into the smart-power mix if we are going to have a successful foreign policy.

That's basically why I wrote the book. Whether we'll be able to do it or not, I don't know. Let's hope.

Thank you for your attention. I would be interested in your questions.

### Questions and Answers

**QUESTION:** Rita Hauser, chair of the International Peace Institute.

Joe, you painted a very nice, optimistic picture for the next decade. I hope it's so. But you missed talking about one area where the whole game is, and that's in education. There, Asia—China in particular, but Singapore and others—is investing enormous sums and producing vast numbers of well-educated people, whereas our education is in chronic decline. Fewer than half of our students graduate from high school, and yesterday's report said that of the half that graduate, half that have diplomas are not college-ready, meaning they can't really comprehend.

What do you imagine the future will be like, given the numbers that China, India, and so on are producing in the way of educated people?

**JOSEPH NYE:** It's a great question, Rita, and if I hadn't been constrained on time, I would have gone into this. There is a chapter in the book about American decline and what some of the problems we face are. The two things that worry me about the United States are the deficit and the K-12 education. In higher education, we still are the world's leader by far. But on K-12, we are going to have to pull up our socks if we are going to be able to cope with this world. It has to be a priority.

The interesting thing, though, is that the Chinese have problems with their educational system as well. A Chinese woman whom I talked to about this said, "You know, my son goes to school all week, all day, and then on weekends, he goes to a cram school. He has no time to play. There is no creativity in our educational system."

In America, we have perhaps too much play, but we do have creativity. The answer is that China needs a bit more America in their educational system and we need a bit more China in our educational system.

But we are going to have to pay much more attention and put a much higher priority on K-12. I fully agree with you.

Can we guarantee we will do it? I don't know. But at least it's beginning to get the attention that it deserves. With people like you and others pushing it, maybe we can move it forward.

**QUESTION:** Warren Hoge, International Peace Institute.

I want to apply lessons of the book that you have just given us to Egypt and to the American dilemma in Egypt. I'm struck particularly by your description of a particular kind of power being the power to persuade people to want what we want or what we want them to want. In [the streets of Tunis](#) and in the streets of Cairo, it seems that a lot of the people who are protesting are protesting in favor of getting what we have. That falls under the rubric of what we want. Is that the opportunity that the [Obama](#) Administration ought to be exercising in finding a way through this?

**JOSEPH NYE:** Yes. What has happened in Egypt and Tunisia is that more people have more information than ever before, and this has changed the nature of the politics. The conventional wisdom used to be that you had two choices, dictators or radical Islamists. What we now know is that, in the meantime, a middle has grown. That middle has got lots of things in it, some good and some bad. But it's encouraging that there is a lot of good in that middle.

[David Pollock](#) just did a very nice [poll](#) for the Washington Institute in which he surveyed Egyptian opinion, a random sample. He found that the [Muslim Brotherhood](#) commanded 15 percent and the people who wanted a leader from the Muslim Brotherhood were 1 percent. The fear that we had that this would be taken over by the Brotherhood is not fully justified.

In revolutionary situations, you can have a [Kerensky](#) who is followed by a [Lenin](#), so we have to be very careful how we play this. We need to essentially

have two messages at the same time, one to the government, which still has power. The army matters. But the other is to the people in Tahrir Square. That's the future. Short-run stability which aligns us just with the government is the enemy of long-run stability, in which our narrative attracts those people who will have more power in the future.

That's a hard act to pull off. You are communicating with another country. You have to communicate with a government and with a civil society simultaneously, and when they are at odds with each other, it's doubly hard. That's the tightrope I referred to earlier. You can understand why an administration, as it tries to walk its way down this tightrope, sometimes wobbles. We have seen that wobbling in the last weeks.

What we need to do is make sure that you have a constitutional framework. The answer isn't elections tomorrow. That's electocracy. But getting back to an unencumbered constitution and beginning to develop this civil society that has beneficial effects into organizations and parties so that you have meaningful elections—that should be our goal.

[Hillary Clinton](#) told the [Munich Security Conference](#), where I was last weekend, that our goal was an orderly transition to democracy. That's a great way of summarizing it. Doing it is a lot harder.

**QUESTION:** Ron Berenbeim.

How would you apply the lessons of your book to Iran? Do you think that your views on Iran were different before what happened in Egypt?

**JOSEPH NYE:** In Iran, you have a theocracy. [Ahmadinejad](#) is a very clever populist politician who is making an alliance with the hardest of hard power, the [Revolutionary Guards](#). Friends of mine who are experts on Iran say this view that somehow if we just supported the [Green Revolution](#) after the elections—they say it wasn't that simple. They tell me they think Ahmadinejad probably did win the election. He cheated by adding votes, but he probably did win.

In any case, he has enough populist support, with lower and lower middle class, plus the military support of the Revolutionary Guards, that it's not as though if we just said nice things right after the Iran election, everything would have turned out all right.

We do have to keep in mind that over time there is a younger generation which is moving in the directions that we want. We have to say, how do you deal with this government—from our point of view, a very unfortunate government—and try to get some sort of deal which stops their nuclear program, without discouraging the civil society, which is evolving in directions which are favorable to us?

I have often called what we need a policy of bigger carrots and bigger sticks. We have done bigger sticks in the form of sanctions. I haven't seen much in the form of bigger carrots. So I don't think the policy has been as successful as it should be.

**QUESTION:** Using your policies, how would you approach Afghanistan and Pakistan now?

**JOSEPH NYE:** The first point of wisdom on this is to remember the caution of [Dwight Eisenhower](#), who looks better and better in history. I teach a course at the Kennedy School on leadership and ethics in foreign policy. I do various American presidents from [Teddy Roosevelt](#) forward. Every time I teach this course, I think, "You know, Ike had a lot of things better than I thought at the time."

One of Eisenhower's pieces of wisdom is, "Stay out of land wars in Asia." That's



why we didn't go in after [Dien Bien Phu](#) and why he stopped the Korean War.

You can't get from here to there in a simple manner. We can't just pull out of Afghanistan, or we will create a vacuum which will be chaotic. We have seen that once before. But we ought to have an aspiration to move away from that.

We need a forward projection of American military power, but it ought to be in places like Japan and Korea, where they want it so much, they pay for it, and where we're welcome. The idea that we are going to be able to govern areas like Afghanistan or even Iraq with American forces is just not commensurate with this diffusion of information in the modern age.

The question is, how do you get from here to there?

As I understand the strategy, it's sort of "to build up, to build down." By getting enough troops in that we can put the Taliban in a somewhat weaker position, we then would bargain for a political solution rather than a military solution. The [NATO agreement at Lisbon](#) was that we would try to have a situation where the Afghans would be responsible for their security by 2014.

You still will need to keep some American presence in Afghanistan, but it should not be a presence that tries to govern the country. It should be a presence that can do counterterrorism, help protect Kabul, and prevent the whole thing from falling apart.

But we should be aiming, in fact—and this is the official policy—to have Afghans taking over the security in 2014. We can't stay there and try to do a full-scale counterinsurgency which creates a modern Afghan society or country in any reasonable timeframe. That's why I take this back to Eisenhower.

**QUESTION:** Bob James.

My question deals with power as most of us think of it—that is, military power. The question is, should the United States continue to field the huge forward-based military everywhere in the world—[SOUTHCOM](#), [CENTCOM](#), East Asia?

I ask this because neither Republicans nor Democrats seem to want to deal with this question. Is it really a discussable question?

**JOSEPH NYE:** It's an important question, Bob. If you want my short answer to your question, it's yes. But let me tell you why.

In the chapter on military power in my book, I say that we spend too much time thinking that military power is just bombing and shooting. That's crucial to military power, but military power plays other roles as well. One of them is protection and reassurance. That's extraordinarily important, and it generates soft power for us. The interesting thing about this is, if you go to Asia today, you will find that they want American military power, because they want that reassurance, and that makes a difference.

It's interesting that when the Democratic Party of Japan came in, in a new election in the fall of 2009, at first it looked like they were going to try to reorient Japanese policy toward China. [Ozawa](#), who was one of the powerful figures, took 200 Diet members to Beijing.

I was in Tokyo in October and met with the prime minister and foreign minister and so forth. There was no interest in China in that sense. All they wanted to talk about was the American alliance and why it was so important, because what had happened in the meantime was that China had shot itself in the foot by overreacting to this fracas off the Senkaku/Diaoyu Islands. They embargoed rare earth exports to Japan and so forth. That whole question of whether Japan would turn away from the United States was just out the window. It was gone—in one year, a huge difference.

That's where American military power forward-based in Japan is tremendously important. It gives us an extraordinary influence, but it also provides stability in the region. If people want to invest, they want to know that the region is going to be stable. The American presence provides that.

The same thing is true of other regions as well. If you look at SOUTHCOM, when Admiral [Stavridis](#), who is now the head of [EUCOM](#) in Europe, was there, he said, "It's unlikely that I'm going to use the hard-power part of my troops in SOUTHCOM, but I sure can use them for soft power, with hospital ships, training missions, and other sorts of things." That again is an illustration of what I point out in the book. You can have a military resource which can generate hard power and it can generate soft power.

We get a good return on our investment. I don't think we get a good return on our investment in Afghanistan or Iraq. We do get a return on our investment for the kinds of things that you were mentioning.

**QUESTION:** John Hirsch. First of all, thank you very much for your work.

Since you have already addressed military power, I will ask you a different kind of question. There are a number of representatives here from missions of the United Nations. You have not said anything yet about the United States policy through multilateral institutions, and specifically the United Nations. How does this three-dimensional chessboard play out in terms of America's role at the United Nations and through multilateral institutions?

**JOSEPH NYE:** Again I plead guilty to lack of time. The United Nations is tremendously important. It's the only universal international organization. It is important in a number of ways. It helps to establish norms. It helps to provide a framework in which people can discuss just about anything. The Security Council is often very important when there is an incipient crisis, to step in. The UN peacekeeping forces have over 100,000 people around the world right now. The United Nations remains very important.

But we also have to be realistic about the United Nations. It's very difficult to do some things in the United Nations because you have such a large body. We saw this at [Copenhagen](#). If you are negotiating with 190, it's very difficult.

When you are negotiating with three people or three countries, you have three relationships. When you are negotiating with ten, you are up to the double digits. When you are negotiating at 100, you are in the many thousands of relationships.

[Harlan Cleveland](#) had a nice phrase for this. He said, "The problem of international governance is, how do you get everybody into the act and still get action?"

The answer to this that I describe in the last chapter of the book is that we have to see a multitude of institutions. Think of them more as concentric circles. The United Nations is the broadest circle, and it's very important. I remain a strong supporter of the United Nations. I would like to see countries like India, Japan, and Brazil on the Security Council. We do need this, though it's going to be hard to do.

But we shouldn't think that we are going to negotiate climate change in the United Nations. There are about eight countries that represent about 75 percent of the greenhouse gases. The negotiations have to be between those countries. At some point, you take it to the [UNFCCC](#) for legitimization. But you don't try to negotiate it in a setting like Copenhagen.

The United Nations is tremendously important, for a number of reasons. But don't think that the United Nations is going to solve all these problems. Think of what the Europeans call variable geometry of institutions. Think of the

United Nations as being a crucial part of that geometry, but don't say to take everything to the United Nations.

**QUESTION:** Mary Belknap, Foreign Policy Association.

You mentioned at the very beginning that one of your big worries is our debt. If we don't want to raise taxes, how are we going to do all this soft power that you're talking about?

**JOSEPH NYE:** First of all, some things in soft power are not very expensive. Let me give you a couple of examples.

When I was in the Pentagon, I was responsible for [IMET](#), International Military Education and Training. That budget item was—I don't know—\$100 million. \$100 million is three seconds of the Defense budget or one wing of a jet fighter—no, not even that. It's a few bolts on a jet fighter. Yet IMET meant that foreign officers came to the United States and trained with American officers, and in the training, we included courses on human rights. So when we wanted to tell the Egyptian Army, "Don't shoot these protesters," we had American officers who were friends with Egyptian officers who could pick up the phone and say that and be trusted.

Contrast that with Pakistan, where we cut off all military contacts in the 1990s because of proliferation concerns, and there is much mistrust between the Pakistani military and the United States today.

That's a case where a very small investment produces a fair amount of soft power.

A lot of our soft power is generated by civil society—exchange programs and so forth. These are not that expensive. We can do a lot more in soft power without getting into problems with the deficit.

As for what we do about the deficit, the [Simpson-Bowles Commission](#) actually gave a very good set of proposals for how to cut expenditures and raise taxes in what I thought was a reasonable and balanced way.

I don't think anything is going to happen until after the 2012 election, just because of the nature of politics. But I hope that it will become an issue in the 2012 election which will lead to serious action on the deficit after 2012.

**QUESTION:** Dan Rose.

Joe, my question is, in effect, an extension of Mary's, or a modification. In the East-West equation, one side of the equation is the growth of the Eastern economies; the other is the gross mismanagement of all the Western economies.

At what point will there be severe geopolitical ramifications from that economic mismanagement?

**JOSEPH NYE:** We have already seen some of it. The failure to manage financial markets in the first part of this past decade led to a disastrous collapse economically, but also a bad impact on American soft power. We had been preaching to people about how good we were at this, and then we created a global crisis. There are a lot of people saying, "What? Why should we listen to you?"

The fact that the Chinese came out of this Great Recession with 10 percent growth and that we were, first, at 2 percent, now at 3 percent growth, is one of the things that led a lot of Chinese to think that we were in decline and they were on the rise.

Getting the American economy back on a stable growth path has to be a top

priority. The Obama Administration has tried to make that a top priority, but you keep getting interrupted by other things that you don't choose to have interrupt you.

But your basic point is right, Dan. Successful management of our economy is going to be crucial. We didn't do it that well in the last decade.

On the other hand, can we do it? It's worth remembering that a little over a decade ago we had a surplus. It's also worth remembering that the World Economic Forum ranks the United States as the fourth-most competitive economy in the world, after Singapore, Sweden, and Switzerland. China is down around 27. Do we have the capacity to get this economy going again and to generate both the hard and soft power that we need? The answer is yes.

Right now, politically, it's hard to see a compromise going through the Congress that does this. But over the longer term, if one looks at the type of sweep of history that I'm talking about —20-year projections—I remain relatively optimistic.

**QUESTION:** Peter Brezovszky, Consul General of the Republic of Austria.

Thank you for a very inspiring morning, with a lot of food for thought.

I was very interested in the part of the speech concerning the narrative. I feel Europe, in general, has a lack of narrative in this country. If you discuss with media and other people about Europe, you get one question: Is the euro currency still alive? How long will it be alive? We see this as absolutely ridiculous, because it's a very stable currency.

How would you advise Europe to get a stronger narrative?

Just one example: Within the European Union these days, we have a very strong new concept concerning Black Sea strategy, the Balkans, and the River Danube, which have become a very powerful new economic region of Europe. What would you advise us in terms of getting more efficient in bringing across our narrative?

In this context, I was not amazed that a transatlantic dialogue played very little role in your speech, if at all. When I grew up, we all know that transatlantic dialogue was a big issue. These days it is a very vague concept, if at all. How would you see the future of transatlantic dialogue, which still is founded, I do believe, on this very sound basis of joint common values?

**JOSEPH NYE:** Right now, because of the problems in the Middle East and Asia, it's probably true that Hillary Clinton's inbox is less full of European traffic than Middle Eastern and Asian traffic. But Europeans ought to be pleased with that. It means that things are going well, not badly.

If one looks again at this larger picture, Europe has enormous capacity to deal with these issues that are common challenges. Europe has enormous soft power. They have a very good story to tell.

The problem Europe has is getting its act together. If the euro were to fall apart, this would be a disaster for this story. But I was very pleased to hear [Angela Merkel](#) last weekend tell us that this was not going to happen, that Germany had a deep political commitment and that, despite all the economic problems of managing the sovereign debt problems in Europe, she was not going to see the euro fall apart on her watch. That was shared by the other European speakers.

But then the next step that Europe has to do is to get itself together for dealing with the Mediterranean and North Africa. This is your neighborhood. Yes, you have had the [Barcelona Process](#), but basically you give aid and you don't pay much attention, and they do what they want to do, and you don't do anything

about it. You have to set up a framework which is much tougher—conditional aid, much more closely monitored. Just throwing money at it isn't going to do it. In that sense, you can use European soft power effectively.

Look at the way Brussels attracted the center of Europe, after the Berlin Wall went down—attracted it to the West. There were those, like [John Mearsheimer](#) at University of Chicago, who wrote a famous article called "[Back to the Future](#)." He said, "Now that the wall has fallen, we'll see the revival of classic balance-of-power politics in Europe. Germany will lead NATO, develop its own nuclear weapons, and there will be a fight for who has alliances with which countries in Central Europe, just like the 1930s or the 19th century."

That's not the way it turned out. One of the reasons it didn't turn out is because Brussels was a magnet. Brussels attracted, but also Brussels persuaded. It told countries, "You want accession? Clean up your human-rights act. You want accession? Do real democracy, not phony democracy." And it worked.

Now you have to get your act together and do that for North Africa.

**QUESTION:** James Starkman.

At 7:00 a.m. this morning, [Jim Chanos](#) was on CNBC. He is a notable fund manager and professional short seller, so he has a point of view. But he made an analysis, that every metric of the Chinese real estate and financial banking system is comparable to Japan 1989 or Dubai 2008. It's a hypothetical, but assuming he was correct, how would a bust in the real estate and banking system—at least intermediate-term bust—in China affect the balance of power between China and the United States going forward?

**JOSEPH NYE:** I'm no expert on short-term market forecasting. If I were, I would be a lot richer than I am—or a lot poorer. But there are reasons to be concerned about China. China has a housing bubble. It also has a problem with inflation. You could solve some of this by revaluing the renminbi and putting up interest rates.

When we all talk about how China's government is so efficient and it can build high-speed rail—yes, that's true, because there are no property rights and you can displace peasants easily. But when it comes to revaluation of the renminbi, they are blocked, because the coastal industry and the local party bosses on the coast don't want their central bank to do it. They have political problems, and if they can't deal with this, then inflation is going to increase, and there is some danger.

If I were making a short-term bet, I don't think that's going to happen. If it did happen, you could say, "That's good for the U.S. It shows the Chinese are bad. We're number one," and so forth. That would be very shortsighted. This is a positive-sum game, not a zero-sum game. A Chinese economy that grows rapidly produces demand in a world that still needs demand. That includes in the United States. A collapse in China would be bad for us, not good for us.

In the view that it's a zero-sum game, you might say, "Good." But the world economy is not a zero-sum game, and so I would not like to see this happen.

I don't think it's going to happen, but it's not totally out of the question.

**QUESTION:** Could you talk about the role of nationalism in this diffusion and transition world of the future?

**JOSEPH NYE:** What happens is, as people get more information and become socially mobilized, they don't develop a cosmopolitan identity; they look for a new identity. Their old identity is shaken. They seize things to provide a new identity. One of those identities is nationalism.

So you have a rise in nationalism, for example, in China. One of the intriguing things is that China is sometimes called a market-Leninist system, and the oligarchy that runs the Communist Party has to legitimize itself. Nobody believes in communism anymore, so it's done by high growth and nationalism.

You go to the blogosphere in China, and it's full of nationalism, partly stimulated by the government itself. But it's a sorcerer's apprentice. They may have helped to start this, but now they can't control it. And that's quite dangerous.

A Chinese friend of mine that I had lunch with in Beijing last month said that he worries about the generation behind him being too nationalistic. We think that Hu Jintao or his successor, [Xi Jinping](#), can do whatever they want, that they are dictators. Wrong. They are acutely aware of this opinion below them which permeates a generation, the People's Liberation Army, and large parts of the bureaucracy. They actually read the blogosphere, and they feel limited in how far they can go in making concessions on some things because of this rising nationalism.

So we are not past the age of nationalism.

**JOANNE MYERS:** Whether speaking short-term or long-term, I think we're all richer because you spoke here this morning. Thank you very much.

**JOSEPH NYE:** Thank you.

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