

I

The New World

Power is a word the meaning of which we do not understand.
—Leo Tolstoy, *War and Peace*

IN THE TWENTIETH CENTURY, if you wanted social change you demonstrated in the streets, lobbied government, or ran for political office. As the successful strategy of the Obama campaign demonstrated, the engaged activist in the twenty-first century has other options. Technology can be deployed to unleash the force of social networks to do unprecedented things. As a result, nongovernmental organizations (NGOs) have never had greater power and reach. For-profit entities are becoming—or at least claiming to be—agents for social change. They have political platforms and pursue agendas that used to be the exclusive domain of government.

Even some megacorporations increasingly sound like governments. In an unprecedented move, retail giant Wal-Mart in January 2008 issued a social manifesto, pledging to cut the energy use of many of its products by 25 percent, force its suppliers to meet stricter ethical standards, and help other companies deliver better health care for their employees. Wal-Mart CEO H. Lee Scott Jr. said, “We live in a time when people are losing confidence in the ability of government to solve problems,” but Wal-Mart “does not wait for someone else to solve problems.”¹ The same month, Google got into the global development business, announcing it would fulfill a pledge made to investors when it first went public in 2004. Google would henceforth reserve 1 percent of its profit and equity to “make the world a better place.” In an unconventional move, the unit in charge of this fund, Google.org, said it would invest in for-profit as well as traditional philanthropic ventures.² To fight the AIDS epidemic in Africa, Project (Red), the brainchild of lead singer Bono of the rock group U2 and Kennedy family member Bobby Shriver, has forged a coalition of iconic companies to manufacture Product (Red) branded products. Companies from Dell to Gap to

Apple have signed up to produce Product (Red) goods, and a percentage of proceeds from their sales automatically goes to the Global Fund to help women and children affected by HIV/AIDS in Africa.

Even as the lines between business, philanthropy, and government have grown ever more difficult to draw, government itself has furthered the cross-dressing craze by outsourcing whatever it can to the private sector. The result is that the U.S. government can now conduct neither its foreign policy nor its wars and reconstruction efforts in Iraq and Afghanistan without the extensive and unprecedented support of contractors. While the American people's attention was focused elsewhere, private companies have become a permanent feature of what used to be called governance, both at home and abroad. They are deployed to run American prisons, collect our taxes, interrogate prisoners of war, and guard American diplomatic personnel.

Since the reach of privatization has been extended gradually, it is not something we often notice. Yet by August 2008 the United States had spent over \$100 billion on contractors in Iraq alone.³ Not surprisingly, outsourcing as presently practiced is scandalous, a common result when the work of government takes place beyond the public eye.

Examples of contracting run amok are not difficult to find, and more come to light each day. For-profit foreign aid is now a booming business, with billions of U.S. government dollars flowing into sketchy projects. Afghanistan is a prime example. In 2004, Afghan finance minister Ashraf Ghani was so angered by the poor performance of U.S. contractor BearingPoint that he had the company thrown out of the country. A 2005 congressional study reported that, of 286 schools that were to be rebuilt with United States Agency for International Development (USAID) funds by the Louis Berger Group, only 8 had been completed and that only 15 of 253 planned health clinics were operational. Since contracts in Afghanistan and elsewhere can pass through as many as five layers of subcontracts, each charging a substantial fee as it passes work down the supply chain, when a project does get completed it is often wildly overpriced. For example, a school that costs USAID \$250,000 to build can be built by a local Afghan contractor for just \$50,000.⁴

The enormous cost overruns for building the world's biggest American embassy in Baghdad, perhaps as much as \$144 million above the projected \$592 million, replicate this pattern. The lead contractor on the embassy project was First Kuwaiti General Trade and Contracting, which received permission from the Iraqi government to allow some two thousand non-Iraqi construction workers to extend their stay in the country to complete the project. The biggest construction job in Baghdad imported workers in-

stead of hiring Iraqis. The man who had been charged with overseeing the entire project, James L. Golden, himself a contractor, was banned from Iraq by the U.S. ambassador, Ryan Crocker. After a worker died on the job, Golden allegedly destroyed evidence related to the case. The State Department is still looking for funds to cover the unprecedented cost overrun.⁵

With the web of subcontracting making it difficult to figure out what went wrong with any given project, the prospects for corruption and abuse of power grow ever larger. We are only just beginning to see where Washington's penchant for outsourcing has taken us, since much of it is shrouded in proprietary secrecy. But there are some early clues. In 2004, Darleen A. Druyun, the number two weapons buyer for the air force, was sentenced to nine months in prison for steering electronic controls contracts to Boeing for planes that had originally been built by Lockheed Martin, and then overpaying Boeing to boot.⁶ Her replacement, Charles D. Riechers, committed suicide in October 2007 following accusations that he had accepted kickbacks from a private contractor, Commonwealth Research Institute.⁷ In 2006, the U.S. attorney general's office unsealed charges that a former employee of Kellogg, Brown, and Root (KBR; the company in charge of logistics in Iraq and Afghanistan) had received \$124,000 in kickbacks.⁸ In February 2007, the army announced that it would withhold \$19.6 million from the oilfield services corporation Halliburton after discovering that its subcontractor, ESS Support Services, had hired the armed security firm Blackwater USA to protect its operations. Contrary to Halliburton's interpretation, the army claimed that its five-year, \$16 billion contract with Halliburton barred the company and its subcontractors from hiring armed security.⁹ In November 2008, the Pentagon's Defense Contract Management Agency found KBR to be in "serious non-compliance" for shoddy electrical work that caused the deaths of at least eighteen troops. Green Beret Ryan Maseth was electrocuted while taking a shower.¹⁰

The Pentagon is concurrently investigating another Iraq war contractor, the private military company Custer Battles, for cheating the U.S. government out of tens of millions of dollars. Among other charges, Custer Battles is accused of creating sham companies through which it shuttled subcontracts, double-billing for salaries, and repainting the Iraqi Airlines forklifts its workers found at the Baghdad Airport and then leasing them to the U.S. government. The company was banned from operating in Iraq in 2004. The Bush administration never pressed criminal charges, in part because it did not consider Custer Battles an arm of the U.S. government and therefore not liable under U.S. law. "If urgent steps are not taken," the anti-corruption group Transparency International has warned, "Iraq . . . will become the biggest corruption scandal in history."¹¹

In addition to the disturbing potential for corruption when money and instructions change hands multiple times in a foreign country, contractors have created a series of diplomatic disasters for the United States. The 2007 killing of seventeen civilians in Baghdad by Blackwater employees was not an isolated incident. In 2005, Blackwater used CS gas—a riot control substance that the army is forbidden to use—at a crowded Baghdad checkpoint, temporarily blinding Iraqi civilians and at least ten U.S. military personnel. Blackwater's State Department contract did not explicitly forbid using CS gas.¹² Contractors figured prominently in the 2004 Abu Ghraib torture scandal. Twenty-seven of the thirty-seven interrogators at Abu Ghraib prison that year were employees of the private military company CACI International, and twenty-two of the linguists who assisted them were employed by California-based Titan International.¹³ None of the contractors to date have been prosecuted. In December 2007, 256 Iraqi prisoners filed suit against CACI for abuses in Abu Ghraib and at Guantánamo Bay. In February 2008, we learned that the CIA's secret interrogation program has made extensive use of contractors, in roles that likely included the waterboarding (simulated drowning) of terrorist suspects.¹⁴ In all of these cases, government silence has perpetuated ambiguities over who has legal jurisdiction.

At the same time, and more benignly, globalization has opened up opportunities for individuals and groups to conduct foreign policy without asking for government's permission. Greg Mortensen, best-selling author of *Three Cups of Tea*, built schools for girls in Afghanistan without a license from Washington. The lending activities in Iraq by the nonprofit organization Kiva are another excellent example of the new opportunities for innovative individuals to make their own diplomacy. Kiva (which means "agreement" in Swahili) uses the Internet to connect aspiring entrepreneurs in developing countries with private citizens willing to lend them money. In May 2007, Kiva began adding Iraqi entrepreneurs to its Web site with the disclaimer, "This entrepreneur is from a volatile region where the security situation remains unsettled. Lenders to this business should be aware that this loan may represent a higher risk and accept this additional risk in making their loan." Despite the warning, all the loans were fully funded within a few hours, largely by American citizens who apparently wanted to lend a personal hand to Iraqi reconstruction.¹⁵

Then there is the Clinton Global Initiative (CGI), which blurs the boundaries still further. A project of our forty-second president, CGI describes itself on its Web site as "a non-partisan catalyst for action, bringing together a community of global leaders to devise and implement innovative solutions to global problems." It operates "to increase the benefits and

reduce the burdens of global interdependence." From one perspective, CGI is a standard charity for the information age; its Web site offers opportunities for individuals to contribute directly to development projects around the world. Yet in terms of how it actually functions, it is another animal entirely. While webcast to the public at large, CGI meetings are by invitation only, "limited to a select and diverse group of heads of state, CEOs, media voices, philanthropists, foundation heads, religious leaders, academics, original thinkers, and those who run highly effective non-governmental and non-profit organizations."

What happens at a CGI meeting is quite extraordinary. The second annual meeting, in September 2006, featured prominent individuals and corporations making 262 public commitments totaling more than \$7.3 billion. Forty-two current and former heads of state were in attendance, along with more than six hundred business leaders. Sir Richard Branson of Virgin Group pledged a \$3 billion investment over the next ten years in alternative energy sources. Citigroup committed \$100 million to microfinance programs in the developing world. Siemens offered \$10 million for rural health clinics in China. These pledges will be channeled through more than five hundred organizations in more than one hundred countries. CGI is simultaneously a charity, an engine for market creation, and a platform for public figures. Microsoft founder Bill Gates has called it "a deal-maker between rich world producers and poor world consumers."¹⁶

Gates certainly understands the unharnessed potential of the private sector. In January 2008, in his last speech as a full time employee of Microsoft, Gates urged attendees at the World Economic Forum in Davos to take innovation to the next level and embrace "creative capitalism." Businesses seek both profits and recognition, Gates argued, so recognizing innovative work that reduces poverty, regardless of what motives inspired the initiative, is in the interests of both the public and private sectors. Creative capitalism is "an approach where governments, businesses, and nonprofits work together to stretch the reach of market forces so that more people can make a profit, or gain recognition, doing work that eases the world's inequities." When this new approach to capitalism prevails, "the highest-leverage work that governments can do is to set policy to create market incentives for business activity that improves the lives of the poor."¹⁷

Gates cited a U.S. law signed into existence by President Bush giving any company that develops a new treatment for a neglected disease like malaria or tuberculosis a fast-track FDA review for another product it has created. In other words, if you commit some of your company's resources to making the world a better place, you may get your new cholesterol-reduction drug on the market a whole lot earlier. That's a powerful incen-

tive. As Gates put it, "There is a growing understanding around the world that when change is driven by proper incentives, you have a sustainable plan for change, because profits and recognition are renewable resources."¹⁸

Other individual efforts promise to have transformative impact on the world's most vulnerable interest group—our children—while also creating new markets. The mission of One Laptop Per Child (OLPC) is straightforward: to help the children of developing countries to learn by providing one connected laptop to every school-age child. The virtually indestructible \$200 XO laptop runs on Linux, is totally self-contained, and is wildly kid-friendly; it looks like a Fisher-Price toy developed for Kermit the Frog. David Pogue, technology correspondent for the *New York Times*, calls it "a kid magnet." Both the XO and OLPC's mission are the brainchild of Nicholas Negroponte, co-founder and director of the MIT Media Laboratory.¹⁹

In November 2007 OLPC began its innovative "Give One, Get One" model: you could send in \$400 and receive in exchange a tax deduction, an XO for yourself, and one to be shipped to a child in the developing world. OLPC is working in partnership with Amazon.com, eBay, Google, and others to get third-world governments interested in large-scale acquisitions of the XO. The educational content—the software—is to be provided by local initiative. In targeting educational systems in need, OLPC is, in effect, making development policy over the head of the U.S. government.²⁰

The International Campaign to Ban Landmines (ICBL) is the same phenomenon seen from a slightly different angle. A broad coalition of prominent individuals, middle-power governments, and more than 1,400 NGOs in 90 countries, ICBL has a twofold purpose. First, it seeks action on removing antipersonnel landmines that had already been deployed around the world. Second, it was instrumental in organizing a ban on the future use of these weapons, which more often than not maim innocent civilians. Led by 1997 Nobel Peace Prize recipient Jody Williams, 122 countries gathered in Ottawa in December 1997 to sign the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines, otherwise known as the Ottawa Convention. The United States has yet to sign the treaty, but it was signed by all members of the European Union. The United Nations supports the Ottawa Convention even though the movement was not a UN initiative.²¹

The Bush White House picked up on these innovations and sought to harness their potential. In December 2007, the Bush administration asked Case Foundation CEO Jean Case, president and CEO of the Aspen Institute Walter Isaacson, Citigroup chairman emeritus Sandy Weill, Material Service Corporation chairman Lester Crown, and American Task Force for Palestine president Ziad Asali to serve as co-chairs of the U.S.-

Palestinian Public-Private Partnership, a new venture dedicated to creating economic opportunity for the Palestinian people. This public-private partnership has the full backing of the State Department and USAID and is to complement the efforts of former British prime minister Tony Blair. Since June 2007, private citizen Blair has been special envoy for the "Quartet," which is diplomatic shorthand for the four major outside players in the Israeli-Palestinian peace process: the United States, Russia, the European Union, and the United Nations.²² In other words, the U.S.-Palestinian Public-Private Partnership has been tasked by the U.S. government to work in conjunction with a private citizen on behalf of the world and at the behest of no single country.

These seemingly disparate stories reveal an entirely new picture of our world. On the one hand, the U.S. government has embraced outsourcing as a solution for every international problem, with often disastrous consequences. On the other hand, a simultaneous explosion of creative bottom-up initiatives has had real foreign policy impact. Taken together, these two observations lead to an unavoidable conclusion: American power is taking on a different shape.

Consider a third observation, and the general trend becomes obvious. American and European corporations have displayed unprecedented global muscle relative to national governments. Wal-Mart's revenues in 2005 were larger than the total gross domestic product (GDP) of all of sub-Saharan Africa.²³ In 2006, the combined sales of the top five multinational companies—ExxonMobil, Wal-Mart, Royal Dutch Shell, BP, and General Motors—were larger than the GDP of all but thirteen countries. "Exxon Mobil," writes David Rothkopf, who was Clinton administration deputy undersecretary of commerce, "is bigger than Sweden (the world's twentieth largest economy). Wal-Mart ranks between Argentina and Hong Kong, and General Motors tops Peru."²⁴ In 2007, Rothkopf examined all entities with sales or GDP greater than \$50 billion and found that the majority (89 of 172) were private companies.²⁵

These three observations represent different aspects of the privatization of American power. In all three instances, privatization transfers responsibilities that were once the exclusive preserve of government to private actors. When government or business chooses to devolve work to others outside their immediate community, this is called outsourcing. Work can be outsourced to NGOs, for-profit entities, or some hybrid of the two (because the line has become so blurred, I will use the term "private sector" to encompass both for-profit and not-for-profit actors). Most Americans are unaware that the large growth in American philanthropic power in re-

cent years is primarily a product of government outsourcing, not increased individual charitable contributions, which have remained roughly steady in the same time period as a percentage of GDP.²⁶ But privatization also encompasses functions one would never expect to see outsourced as “work,” including oversight and even policymaking itself.

With its emphasis on individual initiative, privatization is an expression of core American values. Yet the outsourcing of oversight and the lack of transparency that has accompanied its rise undermine those very values. Public-private partnerships that exploit the information revolution to common advantage can help ensure that government has the necessary capacity to provide for the public good. Since the private sector has already been entrusted by government to do so much, it makes sense to think creatively about the business-government relationship. But the ultimate responsibility for ensuring pursuit of the common good falls to government alone. Unfortunately, a government dependent on contractors to function too easily loses sight of those things that only government can do well.

A member of the antiglobalization movement might protest that “enlightened” business-government collaboration is merely a cover for rapacious capitalist greed. The implicit assumption seems to be that it would be desirable to turn the clock back and reassert traditional government authority in some unclearly specified way. That would be a terrible mistake, for at least two reasons. First, power in the international system has already been transformed. Private actors will continue to make their own foreign policy with or without an overt government response. Second, in pursuing its privatization agenda, the U.S. government has undermined its capacity for independent action. Curtailing outsourcing without simultaneously addressing government’s precarious condition is a recipe for a worse disaster than anything contracting has yet brought about.

With the unprecedented privatization of American power, functions that were once exclusively the province of the U.S. government have diffused to corporations, civic groups, and individual social entrepreneurs. Many of these independent actors are American. But even when they are not, they are part of a global coalition that is animated by the universal values first embraced by America’s founders. They believe in the power of free markets and equality of opportunity. They strive to promote these values worldwide, just as the American government does, though in countless decentralized and more effective ways.

This vast web of actors can thus be understood as an empire—of a kind the world has never seen before. It is vast in its dominion, controlling untold riches and reaching all corners of the earth. But unlike any previous empire, it has no emperor and no subjects. It is an empire of the willing. It

would not exist without the American contribution, but it is not an American empire. Its stakeholders are all those around the world, from the governments of liberal democracies to beleaguered individuals in distant lands, who share its core values.

The empire of the willing advances its interests through the universal appeal of its ideals: economic freedom, equality of opportunity, and sustainability. It unites human beings across borders, inviting the newly enfranchised into its ranks regardless of national origin, race, gender, or creed. In measuring value through economic achievement, it lays waste to all other prestige hierarchies, which is why traditional elites around the world find its core values threatening to their interests. The empire of the willing is a vehicle of change that does not shrink from tearing down the very hierarchies that helped create it.

It is a measure of American confusion that the U.S. presence in Iraq and Afghanistan has to date been a textbook case of traditional imperial intervention. Fitting our three core facts together—hollowed-out government, private-sector innovation, and unprecedented corporate power—and understanding the extent to which American foreign policy has already been privatized provides the flare we need to regain our bearings. Getting the United States back on course requires acknowledging that unenlightened outsourcing—our present standard practice—creates an enormous accountability vacuum that has enabled three dangerous developments: gross fiscal irresponsibility, dangerous apathy among the public at large, and the inadvertent militarization of American foreign policy. Let me take up each of these individually.

First, explosive overseas outsourcing has gone hand in hand with gross fiscal irresponsibility.²⁷ We are spending huge sums of money without the most basic accounting procedures in place for monitoring and evaluating our expenditures. For example, one Iraqi former chief investigator testified before Congress in September 2008 that \$13 billion in reconstruction funds from the United States had gone walking.²⁸ Subcontracting chains only intensify this effect. What the U.S. government does would never cut it in the private sector. Business has a bottom line, so when a business outsources irresponsibly, people get fired or the company goes out of business—except when they are the beneficiaries of a government handout. The same is not true of government, which can defer the day of reckoning indefinitely, because a country cannot cease to exist. The inflated costs and other consequences are passed on to our children and grandchildren. When the U.S. government borrows and prints money to bail out businesses that have screwed up, we have taken our fiscal irresponsibility to a new level.

Second, when government cedes responsibility to contractors, the gen-

eral public is one step further removed from the choices its elected officials have made. Without contractors, who supply the vast majority of the support services in Iraq in order to free up military personnel for combat roles, the Bush administration would have had to institute a draft to wage its war there. All of America's sons and daughters would face having to go off and fight, and popular discontent would make our presence in Iraq unsustainable. Instead, the American public has chosen to tolerate a war most of us feel is bad for the nation, provided we don't have to be personally involved. Alexis de Tocqueville warned of the soft despotism that could overtake American democracy should American individualism lose its vital connection to the common good. As he put it, "Citizens quit their state of dependence just long enough to choose their masters and then fall back into it."²⁹ Tocqueville's antidote was his doctrine of self-interest, properly understood. His enlightened self-interest is the key to reviving civic virtue at home. The sustainability of globalization itself now depends on it.

Third, our addiction to outsourcing has inadvertently facilitated the militarization of American foreign policy. This is not an inevitable consequence of outsourcing but a peculiarity of the American government, where the Pentagon, with by far the largest budget, can vastly outspend all other departments. It can also outspend other countries; Americans spend more on their military than do the defense budgets of the rest of the developed world combined. In part because the Pentagon budget dwarfs all others, the face America presents to the world is increasingly a military one. This alienates our allies in an era when the biggest threats—terrorism, nuclear proliferation, global inequality, and climate change—demand extensive cooperation. These challenges cannot be met with Pentagon muscle alone, and indeed, the rippling muscle may decrease the appetite for collaboration among the potentially like-minded. While Department of Defense's faithful execution of government wishes is admirable, just because the Pentagon is able to do something doesn't mean that it should. Promoting American values through the military, a massive symbol of coercion rather than choice, often undercuts those very values.

In all realms, nonstrategic outsourcing works at cross-purposes with American interests. We have to be more strategic: we have to think creatively about harnessing the formidable power of the private sector to meet the challenges of twenty-first century global leadership. We need to propose ways that government can join forces with business to advance their mutual interest in sustainability. While hard economic times will make it more difficult, private sector aspirations must not solely be seen as a problem for government to police but as a vital part of the solution. The times

demand a foreign policy that acknowledges the privatization of American power rather than denying it or endeavoring to undo it.

It is easy to see things gone awry and to scapegoat contractors. But contractors aren't the problem; the problem is the loss of good government. If the contractors in Iraq seem wildly expensive, it is not because corporate greed has dictated outcomes but because government's aspirations there have been far too ambitious and its controls far too few. When private security forces overstep moral bounds, it is ultimately government's responsibility for having deployed them in a conflict zone with too little legal recourse if they misbehaved. The 2007 Blackwater scandal, which hinted at the extent of the federal government's addiction to outsourcing, can have a positive effect if it sparks a national discussion on which functions should never be outsourced and redirects public attention to the proper ends of government. Government cannot properly lead if it refuses to take responsibility for what it has been called into being to do.

The outsourcing of foreign policy matters enormously for America's strategic interaction with the world, but it has yet to be explored in a systematic and comprehensive fashion. If we ever hope to realign our foreign policy to fit the new reality of a privatized world, we have to get outsourcing right: we must manage it in a way that furthers American values and interests and does not, as was the case in Iraq, subvert them. If power has been privatized, the state must not simply issue orders but must actively seek new forms of collaboration. Cooperation among states is, of course, nothing new, but the question of how government should optimally collaborate with the private sector to advance its international interests is a topic that has yet to receive proper attention.

Strategic outsourcing with appropriate oversight can serve American interests, but our foreign policy during the Bush years was anything but strategic. So where do we go from here? Ultimately, detailed reform proposals must come from those closest to particular problems. To argue otherwise would be to contradict a central message of this book: that top-down decrees and large government bureaucracies are obsolete tools for securing legitimacy in the postindustrial era. To tackle global problems, we will need to harness the power of bottom-up innovation and embrace radical transparency to ensure fair play. Washington will not get there on its own. The American people will have to intervene and lead.