



## The Global Economic Crisis as a National Security Issue

*I. M. Destler, coauthor of *In the Shadow of the Oval Office*, a book about national security advisers since the Kennedy years, says that President Obama is not the first president to try to bring economic issues into the national security process.*

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Steve Weisman: This is Steve Weisman at the Peterson Institute for International Economics. Our guest on Peterson Perspectives is I.M. Destler, visiting fellow at the Peterson Institute for International Economics and author with Ivo Daalder of the Brookings Institution of a new book, *In the Shadow of the Oval Office: Profiles of the National Security Advisers and the Presidents They Served*—from JFK to George W. Bush.

Thanks for joining me today, Mac.

I. M. Destler: Thank you very much, Steve. We're competing for the longest subtitle this year with our book published this year.

Steve Weisman: The book is a study, as the subtitle says, of the national security advisers and the national security system since President Kennedy. Under President Obama, we're hearing that they want to adjust the national security system to include more economic input. Is that a good idea?

I. M. Destler: Well, first of all, it's not entirely a new idea, I should say. My understanding, both from the interview that General James Jones, President Obama's national security adviser, recently gave to the Washington Post and some draft documents that I've seen, —is that they're talking about broadening the membership of the National Security Council (NSC) to include the sector of the treasury and others as useful to at least include economic issues and having Larry Summers, the national economic adviser, share those meetings of the so-called Principals Committee, which is basically the cabinet level committee in the National Security Council system when the agenda is economic issues.

Steve Weisman: Is the treasury secretary normally a member of the National Security Council?

I. M. Destler: The treasury secretary is not a statutory member. The law essentially has only four members: the president, the vice president, the secretary of state, and the secretary of defense. The secretary of the treasury has been included in the NSC frequently by other presidents. The Bush administration started out with this executive order including the secretary of treasury, I think before they perhaps found out how troublesome he might be.

Steve Weisman: What other presidents [have expanded the NSC]?

I. M. Destler: Originally, the National Security Council legislation talked about coordinating international policy including national security, economic, and domestic policy. So the statutory mandate of the NSC is very broad. Through the Kennedy administration and into the administration of Richard Nixon, the NSC was in fact, the White House organization through which international economic issues were coordinated. Then you had a combination of things that pushed in the opposite direction toward creating a separate set of staffs for economic issues.

One of them was the fact that Henry Kissinger, who was President Nixon's famous national security adviser, simply was not very interested in these issues, at least in the period he was national security adviser. And he wouldn't delegate power to his chief economic assistant, who happened to be C. Fred Bergsten, currently director of the Peterson Institute for International Economics. As a result, as Fred would be the first to tell you, there was no effective international economic coordination, so they moved essentially to create an alternative organization.

First, it was for international economic policy. That council didn't work very well. What happened finally in the next and subsequent administrations, you developed a parallel institution and adviser for economic policy, which included much of the international economic policy. But economic policy was to some degree contested territory between the national security staff people and the economic policy staff people. More often than not the economic policy staff people won simply because the NSC didn't give it priority.

I mean, the NSC was the stronger organization but its leadership didn't think or give priority to those issues. Also domestic interest groups didn't want their interest to be sacrificed to foreign policy objectives. So they supported, for instance, creating an independent office in the United States trade representatives in the White House, institutions that led up to President Clinton's creation of the National Economic Council, which President Obama has continued.

Steve Weisman: You do get the feeling that the Obama administration is reinventing the wheel a little bit.

I. M. Destler: I think it's not entirely wrong if they are reinventing the wheel. There are only so many permutations I think you can do. But they are addressing a dilemma, and only time will tell how successful their effort will be. The dilemma is essentially that international economic policy is very important to national security. It's very important to foreign policy. It's also very important to the US economy, and so it's very much linked to economic policy. And yet you can only have so many presidential aides coordinating policy, but one of them is going to be the national security adviser, Jim Jones; one of them is going to be the national economic adviser, currently Larry Summers, and so the question then becomes, "How do you handle the international economic sphere?" Well, they have a deputy who is

actually a joint deputy to them, Michael Froman, former Treasury Department official whose job is essentially to try to serve both masters. That's probably a good basic arrangement. That being said, it's an open question whether the NSC framework will be the framework within which these issues are handled.

Steve Weisman: Only this week Admiral Dennis Blair, the Director of National Intelligence, testified that the global financial crisis would pose a national security threat to the United States.

I. M. Destler: I think that's definitely true. The international economic crisis is a threat to probably all aspects of US international relations, as well as obviously a fundamental threat to Americans in terms of the state of the economy, so the broadest integration of policy is very much to be desired.

Unfortunately, past history suggests that declaring that you're going to integrate the policy doesn't necessarily achieve it. What Obama has done in his White House, which in one respect is very impressive, is he's brought together a group of strong senior people to handle different groupings and probably overlapping groupings of policy issues for the president, but also presumably to coordinate the rest of the government to link up with the cabinet officials and other advisers responsible.

You get an energy issue, for example. Certainly, energy is a national security issue, and General Jones has some experience in energy policy after he left the Marines. Larry Summers will not want to shrink away from giving the energy questions because they're a very important issue in the economy. Then there [is] now a coordinator for energy and environment like Carol Browner, who has a new job, so how do these coordinators coordinate? This will be what everybody is watching. Presumably, the people who report on it will be looking for hints about who's in and who's out...

Steve Weisman: It's almost like they'll need a coordinator just to coordinate the coordinators.

I. M. Destler: And people then say, "Well, Rahm Emmanuel will do it." He's the White House Chief of Staff. My sense is that Obama thinks that he's going to do it. I suppose, given his intellectual capacity and his apparent capacity for good, level-headed relationships with people, he's as likely to be good at it as any president we've had in a while. But I think fundamentally, the president probably can't do that. The president is too busy doing other things, and so he has to have people beneath him who manage the process. One question is, were any of these people chosen predominantly because they had a capacity to manage an effective policy process, or were they chosen for other reasons like their substantive skills, their experience, and so forth.

Now, perhaps Jones was chosen for the ability to coordinate the process, although he hasn't done so at that level before. Larry Summers was chosen because he's one of the brightest economic minds as the former secretary of

treasury and somebody who you'd very much want on your side in a senior position when you're dealing with these huge economic problems. But he's not regarded as Steve Weisman. I. M. Destler a manager or a policy broker, and he would probably not defer to others whom he thought were less sharp than he is.

Steve Weisman: Secretary of State Hillary Clinton has been quoted as saying that she wants to increase the economic capability of the State Department and have more say on, for example, China. It sounds like everybody's getting into the act.

I. M. Destler: Yes, and Secretary Clinton should get into the act. It's true because if you want to play a lead role in relations with China or Japan or Korea or Europe, economics is essential. It may or may not be more important than other things, but it's probably as important as anything, and maybe with the crisis it has primacy right now.

Steve Weisman: I'm looking at the cover of your book, and you have a parade on the cover of stellar national security advisers going all the way back to McGeorge Bundy, Henry Kissinger, Brzezinski, Colin Powell, Brent Scowcroft, and Condoleezza Rice. None of them strike me as having any expertise in economics. Is there any national security adviser whom you think was especially good at integrating economic policy into the national security system?

I. M. Destler: I think the short answer is probably no. The person who may have come the closest was Sandy Berger, President Clinton's second national security adviser. It was during his second term. Sandy, before he did this, was a lawyer in Washington, and trade was one of the major issues he handled. When he was deputy to Tony Lake, he handled quite a few of the economic issues, particularly that side of relations with China, some of the Japan issues on the NSC side, and so I suppose that Sandy Berger would come the closest.

But the general answer is they have not been chosen for expertise in economics. And the process in terms of the issues that come up through the national security system, the membership being priorities of the Secretary of State, the Secretary of Defense, the day-to-day choices that presidents make on foreign policy, for the most part, are not in that sphere. So an awful lot of the day-to-day play of the system pulls the NSC away from economic issues toward issues that are either political-military issues or issues of relationships with particular countries that may have an economic component but perhaps often on arms control and other issues.

Steve Weisman: Mac Destler, thank you very much, and good luck on the publication this month of your new book, *In the Shadow of the Oval Office*.

I. M. Destler: Thank you very much.

