

Missing the Point – The Last Laugh Hypothesis

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The BAKER test of Operation Crossroads, July 25, 1946. (Shutterstock)

Just between you and me, the secret to world peace is widespread prosperity born of democracy and capitalism. ...Thank you. Have a nice day.

Okay, wait. There's more. Why am I so sure of myself? Because I have hypothetical proof. Suppose the world consisted of nothing but the United States and other so-called "western style" countries in Europe and Japan. Do you really think that this version of our world would be concerned about the threat of nuclear holocaust? Of course not. In fact, you could foresee a day when expenditures for defense would be dramatically reduced, maybe even nominal, and when nuclear disarmament could easily be accomplished.

Unfortunately, in the real world there's China, Russia and various other countries and sects we need to worry about.

Russia, with a population of 143.4 million, had a 2021 [Gross Domestic Product](#) (GDP) of \$1.78 trillion, \$12,172 per capita. Russia is only the eleventh largest economy in the world, behind South Korea. It's a dictatorship, the current face of which is Vladimir Putin who – according to a recent [article in Forbes](#) – has just under 6,000 nuclear warheads at his disposal. This *one person* – who got up in the morning and invaded Ukraine a year ago – personally controls more nuclear weapons than any *one country* in the world, including the United States.

China, on the other hand, has a population of 1.45 billion. GDP is \$17.7 trillion, \$12,556. It's also a dictatorship, led by Xi Jinping who controls his country's measly 350 warheads. It's a surprisingly small number by superpower standards. My guess

is, President Xi has nothing to prove and is not particularly worried about China being attacked by the United States and our allies.

Why does Putin need 6,000 warheads? Probably to show people that he's more dangerous than the United States which has just over 5,400 warheads.

Not incidentally, we have over 330 million people and a GDP of \$23 trillion, \$69,287 per capita. That's compared to just \$12,000 and change in China and Russia. And no, our per capita figure is not a typo. It's the power of democratic capitalism. With less than one fourth the population of China, ours is the largest economy in the world.

How all these nuclear warheads – not just in the United States, Russia and China, but everywhere in various other nations around the world – are secured and who controls their deployment are very scary questions. Personally, I'm surprised that they haven't been used, purposely or accidentally, since World War II.

So, here's the deal. Whenever we (the United States) have a problem with Russia or China, we punish them with sanctions and, with respect to China in particular, react with a wave of economic isolationism here at home. The concept is simple. China or Russia, in the immortal words of the [Chris Isaak song](#), has "done a bad, bad thing." The objective of our foreign economic policy is to punish the other country, but without blowing anything up. So, we impose sanctions and encourage economic self-sufficiency. Presumably, the adverse effects on their economy will be worse or at least worth the adverse effects on our economy and people. In any case, the idea is that the cost to our opponent will compel them to mend their hurtful ways. ...Really? Unfortunately, sanctions like this haven't worked all that well, not in the short run and sometimes never.

Economic sanctions and the practice of economic isolationism don't work because that's not what dictators fear. Democratically elected government officials fear sanctions because the negative effects could cost them votes. Because those officials could lose their jobs. What the heck, Joe Biden is sitting on top of one of the hottest economies ever and he can't steal favorable ratings in the polls. Can you imagine the political pressure if the United States were subject to seriously effective sanctions because of something he did?

I'll go a step further. The problem with levying economic punishments isn't just the pain to our economy from lower exports and less savings from importing goods from the country we're punishing. It's actually counterproductive. It's counterproductive because what dictators fear most is not a loss of business with the United States. What they fear most is our secret sauce – the personal freedom we have, inherent in our democracy, and its symbiotic relationship with free-market capitalism.

Does it work, this magic concoction of American of democracy and capitalism? Obviously. Are you kidding? It works like crazy. Even worse, and this is the point of my argument, it's contagious.

It only takes a single match to light a fire that burns down an entire forest. Think about that. The more of our capitalism we inject into the Chinese and Russian economies – the effects of which tend to spread like wildfire – the less tolerant their workers and entrepreneurs become of a government that tells them how to earn a living and run their companies.

I'm not recommending some academically clever psychological trick. What I'm talking about our leveraging, in an economically balanced and thoughtful way, the very real link between free economic activity and the democracy in the context of which it thrives. Let's produce the minimum we need to be self-sufficient in-house. Innovate to stay ahead of the competition, whatever its political credentials and locale. And don't be stupid about turning over our best technologies and production of essential goods to countries we don't trust. Do all that while, at the same time, leveraging the hell out of our economy for the best purposes of our foreign policy. To the maximum extent we can tolerate, put our economy to work *inside* our opponents' countries.

And what if China goes after Taiwan? So, what if they hassle our ships or reconnaissance planes in international places where we have every right to be? We can complain, but stay the course. ...And what if Russia invades Ukraine, again? So we use the power of our economy to support a victory on the field of battle, *while leaving our economic relationships with Russia in place*. In fact, we use those business relationships to encourage political resistance inside the authoritarian regime in our favor.

Our problem is our perspective. It shouldn't be to punish our opponents per se, but to infect them with American democratic capitalism. To put it more directly, to overthrow their authoritarian regime and deliver personal and corporate freedom to their people and their companies. It may take time, even a generation or two, but while their dictators are scoffing at our lack of ineffectual sanctions and the persistent openness of our economy, rest assured that, in the end, we will have the last laugh and, eventually, a much safer planet. ...If only we can avoid blowing ourselves up in the meantime.

-Les Cohen

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