DR. NIALL FERGUSON: —Well, thank you very much indeed Jim, for that introduction, which is rather a hard act to follow. I am not sure whether I can live up the expectations, both positive and perhaps negative, that you’ve aroused, and I have a strong temptation actually to try resemble grass growing in Vermont, if only to prove you wrong. It is a huge honor and pleasure to be invited to address the Foreign Policy Association, an institution that was founded in 1918 by, among others, and indeed some measurably instigation of President Woodrow Wilson. And I was reminded as I was reflecting on this, of one of Wilson's draft speeches, a speech that was never given; I hope this will not be one of those speeches that had better not be given.

Wilson was in the full flow of his enthusiasm for the idea of self-determination, with which he imagined he would recast the map of Europe and indeed the international order after the First World War. And he was trying to make the case for self-determination in a succession of speeches around the United States. One of these draft speeches included a line I am going to try and quote for memory since it only just came to me in the restrooms. It went something like this “The United States believes passionately in the right of all peoples to determine their own form of government without any foreign intervention.” Secretary of State Lansing saw the draft, and wrote simply in the margin, “Hawaii, Philippines, Puerto Rico?” and the speech was never given. What I want to talk about this evening has a direct
bearing on that wonderful bit of historical marginalia.

What I want to try and suggest to you, which outside the U.S. is something commonplace, namely that there are close resemblances between the position in the world occupied by the United States today and the position occupied by my own country Great Britain roughly a century ago. That in many ways, in all but name, the United States is an empire. Indeed it closely resembles the last great Anglo-phone empire and in some respects exceeds that empire at least in its capabilities. Now this is an argument, which ought to be easy to make, but since I moved to work in the United States earlier this year I've been very struck by the resistance that many Americans have to the idea that they are in any sense an imperial power.

So what I want to try and do this evening and I am going to be relatively brief in order to allow ample time for discussion, is to make the case that compared with the great British empire of a century ago the United States has much in common. It is in many ways a natural descendant of that empire. I am going to suggest that it resembles it in at least three distinct ways, and indeed even exceeds it in those ways. But then, I'm going to try and point out what I would see as its three distinct weaknesses by comparison with the British Empire. I am going to suggest it has three imperial deficits, which may explain why despite its vastly greater wealth, than Britain of a century ago, despite indeed its vastly greater military power, the United States finds it remarkably difficult to impose its will on relatively poor, and indeed quite technologically backwards societies. This, I am going to suggest to you, is the answer to the great puzzle of why such a vastly wealthy country has indeed been a relatively unsuccessful empire to date.

In order, in some measure to disarm the instinctive reaction that most Americans have to the proposition that the United States is an empire, I would like to read out a short extract from a proclamation on the subject of Iraq:

“Our armies do not come into your cities and lands, as conquerors and enemies but as liberators, it is not the wish of our government to impose upon you alien institutions, it is our wish that you should prosper, even as in the past, when your lands were fertile, when your ancestors gave to the world literature, science, and art, and when Baghdad city was one of the wonders of the world. It is our hope that the aspirations of your philosophers and writers shall be realized, and that once again the people of Baghdad shall flourish, enjoying their wealth and substance under institutions, which are in continence with their sacred laws and their racial ideals.”

No, that was not Tony Blair during the Hutton inquiry or at anytime before it. It was in fact General F.S. Maude, the leader of the British forces in Baghdad in March of 1917. To arrive in a foreign country and declare that you come as liberators, not as conquerors, is in no sense a peculiarity of the United States in its foreign relations. It is in fact the classic rhetorical device used by liberal imperialists and it has a distinguished history stretching back into the mid 19th century, when it seems fair to say the British Empire became the world's first
authentically liberal empire.

Let me and try and suggest to you what I mean to you by liberal empire, to avoid needless and distracting discussions about the costs and benefits of the early British empire, let not confuse here the quite different empire of the 17th and 18th centuries, which was based on expropriation of territory, on the enslavement, if not eradication of subject peoples. What I want to suggest to you is that the British Empire of from, say let us say the 1840s until the 1930s is the unconscious role model of American empire today. And let me try to suggest why I think that is the case.

The project of the liberal empire from the mid-19th century was in many ways a project similar to that which American foreign policy today has. That is to say British policy makers aspired not just to export the idea of free trade, of free markets, but more than that, they sought to export the institutions social, ultimately also political institutions, without which they believed free markets simply couldn't function. It was more than just the market that the British Empire sought to export; it was also the rule of law, it was also the idea that private property rights had to be enshrined and defended by an effective and non-corrupt system of justice. British colonial administrators had a deep and sincere commitment to the idea of fiscal rectitude; of balanced budgets, of reining in government, of sound money, minimizing inflation. They saw their role increasingly as the 19th century wore on as developmental, even in the sense the World Bank would understand it today. They sought infrastructural investments, and attracted foreign investments towards the colonies they administered. You would of course use different terminology today to describe what was being undertaken by British administrators, in countries, like for example Egypt, or the most outstanding example of the imperial undertaking, India. But in many ways the project bears close resemblances to the project we call nation building today. The idea of creating institutions that would give rise to not only dynamic economic development, but ultimately, and I stress ultimately, to a transition towards representative government. This idea was alive and well, and fully developed intellectually in the late 19th century. Not only was the project fundamentally similar to the project that today's unspoken American empire is attempting in countries as far apart as Iraq and Afghanistan; but also the means, and mechanisms bore a close resemblance to one another.

Empire is not simply about the imposition of one's will by military force; it is not simply about the direct control of foreign territory. The British Empire, and this is what I have tried to show in my book Empire, was a very complex operation. It worked on multiple levels. It was not simply a military undertaking. It was also an undertaking of a commercial and financial nature. The institutions that made it work were banks, as well as brigades. I've tried to show that firms like, for example the House of Rothschild in the 19th century played role rather like a cross between Goldman Sachs and the World Bank in our world today, with a little bit of the IMF thrown in.
Global financial integration, the creation of the first genuine age of globalization was an undertaking not of government-sponsored entities, but of free and independent private enterprises. The multinational corporations of our own day, so many of which have their headquarters in this great city, bear striking resemblances to the great multinationals that built and maintained Britain's financial empire a hundred years ago. The informal empire that the British were able to run in much of Latin America, a great deal more successfully it should be said than the American informal empire in that continent in more recent times, was essentially an empire run by the private sector, run by the city of London.

If you ask yourself how important economic resources are to empire, the answer is self-evident: you cannot have an empire without at least a considerable measure of the world's wealth. What is fascinating is that when you compare the economy of Great Britain, a century ago with the United States economy today, by rights, it is the American empire that ought to be by far the more powerful empire. Today, depending on how you calculate it the United States accounts for between 22 and 31 percent of global output, of all world output. There was never a time in British history, even at the very zenith of Britain's power, when its economy accounted for more than 10 percent of total world output. So the aggregate efforts of all the firms in the United States today, all the corporations, all the banks far exceed the aggregate efforts of the capitalistic economy of Great Britain a century ago. In other words, the institutions have much in common, but all this today is on a much grander scale.

I could say the same about the sharp end of imperial control, the military dimension. What is fascinating about the liberal empires of Britain and the United States is that unlike almost all empires in history, they have relied for their military effectiveness more on capital than on labor; more on technology than on manpower. The substitution of capital for labor is one of the great stories of Anglophone civilization. Just as a hundred years ago, the British army spread thinly around the world barely numbered a quarter of a million men, so today the United States seeks to exert global power with a remarkably small number of combat effectives beyond its own shores. Actually, if you look at the numbers of American troops overseas today, and the numbers of British troops that were serving overseas about a century ago, it's almost exactly the same number.

It is the technology that is crucial here. Just as the Royal Navy, which set the standards for naval technology until at least 1900 was the key to Britain's military projection a century ago, so American military power today is based on the capacity to dominate not only the battlefield, but also the air and seas, and indeed outer space with military technology that no rival can match. But once again ladies and gentlemen, the United States is vastly more powerful in this respect that Great Britain ever was. There was never a time in all of British history when the British lead their rivals by the margin that the United States today leads its rivals in terms of military technology. So though they clearly resemble one another in their
capacity to exert military force through high technology, through sophisticated weaponry, rather than through the massed ranks of cannon fodder. In this respect the United States once again seems the mightier of the two empires.

There is a third respect in which these two empires have much in common. And that is their ability to project their own culture. Joseph Nye of Harvard has spoken of ‘soft power’ as a form of power, which is distinctively American. But I have tried to suggest that the British Empire of long ago had its own highly successful version of soft power, its own ability to transmit its own cultural institutions around the world, and to achieve such extraordinary feats as to convert the entire Indian subcontinent to the sport of cricket. I am always tempted to; at this point to reflect on the tragedy that cricket is no longer played in this country as the result of an unfortunate colonial rebellion in 1776. My book has rather sad paragraph about the last great New York cricket match in the 1770s, when a touring England eleven dutifully lost to the colonists. I have tried to suggest that losing to the colonists is one of the ways that the British tried to keep their empire together. I had rather hoped to find that the British had won that match, and this might be one of the explanations for the war of independence that no one had noticed.

The British had a tremendously effective mechanism for delivering soft power, and it got more effective over time. I have been recently looking at the extraordinary way in which the British Broadcasting Corporation, the BBC, invented the idea of the international dissemination of British culture through foreign language broadcasting in the 1920s and 1930s. Now today, we tend to think of American soft power as being transmitted by a host of television channels and movie studios. The great thing about the BBC soft power in the 1920s and 1930s was that there was virtually no competition for it to run against. There was no Al-Jazeera to broadcast in defiance, when the BBC began its first Arabic language transmissions, which were actually the first foreign language transmissions they ever undertook in the 1920s. So British soft power was really rather an impressive thing. Even so, I think most people would probably assume that by comparison America’s fantastic range of, if you like, cultural tools, of channels of cultural transmission are on an order of magnitude more imposing, and more influential. So there again, one might argue the British Empire has to play, if you like, second fiddle to the more powerful, the more dominant American empire.

Ladies and gentlemen, in economic terms, in military terms, and arguably, I think in cultural terms, the empire the United States runs ought to be vastly more powerful, significantly more powerful than the British Empire of a century ago. And yet, it is not.

One of the great puzzles of modern history, it seems to me perhaps the central question of American foreign policy is why this colossus has been so remarkably ineffectual in its interventions in foreign countries. I say this with some trepidation because I think it is the default setting of most American analysts that it has been a roaring success. But really, the successes are remarkably few, when you try to count them up. It is very striking that when President Bush argues the case for
nation building in a country such as Iraq, he almost invariably sites the examples of post 1945 West Germany and Japan. He very seldom mentions any other examples, because there are in fact, hardly any other examples of success on that scale.

I would argue that these are practically the only successful nation building projects the United States has undertaken, which have successfully created both a very successful capitalist economy, and also a successful democratic political structure. American military occupations, more often than not, have been unsuccessful in one or both of those objectives. In some cases, the failures have been on quite a staggering scale. The colossus that tottered when it confronted Vietnam in the 1960s seems already to many people to be struggling to impose its will on Saddam's ruined Iraq. And yet on paper, its resources should enable it to perform miracles in a country like Iraq. I want to try and offer you an explanation of why it is that the American colossus is not in practice as successful an empire, at least not yet, as the British Empire was a century ago; despite having greater resources at its disposal.

There are three explanations for this weakness. And they're all deficits of one sort or another. The first deficit is perhaps the most obvious. It is financial, economic. One of the most striking differences between Britain's empire of a century ago and the United States today is that a century ago Britain really was the world's banker. Its net capital exports to the rest of the world were on a colossal scale between 5, and as much as 9 percent of Britain's national income. Today, as you know, the United States is far from being the world's banker. It is the world's great borrower. Its balance of payment deficit so large that it is between 5 and 6 percent of gross domestic product. Its huge and burgeoning federal debt relies ever more on foreigners to finance it. At the last count, foreign holdings of the federal debt amount to close to half of all federal treasury bonds in public hands.

This is an extraordinary contrast, and even these figure understate the extent of the American fiscal deficit. If one does calculations of fiscal balance rather more sophisticated than those done by the Congressional Budget Office, which has become adept at manipulating the figures in this respect, the gap between the present value of all the anticipated tax revenues of the Federal Government and the present value of all anticipated outgoings is of the order of 45 trillion dollars. When overstretch come to the American empire, ladies and gentleman, however, it would not be the result of overseas entanglements, it would not be Paul Kennedy's nightmare of an overstretched empire spending too much on the military, because military expenditures are consistently being squeezed by American governments. These fiscal imbalances are serious, but the key point about them is that they have nothing to do with America's overseas commitments. They are almost entirely a result of the under funding of the Medicare and Social Security programs, which will gradually manifest themselves ever more clearly as the so-called 'Baby boomers' retire. This is an empire with a huge fiscal deficit. And its magnitude is not yet fully clear it seems to me, to Americans. And that makes it very different from Britain.
But that is only the most obvious of the deficits. Let me mention two more that are perhaps less obvious. The first is what you might call the manpower deficit. What made the British Empire so very successful compared with its rivals, particularly its European rivals, was that it was a net exporter of people. More than 20 million people left the British Isles from the early 1600s through to the 1950s, a colossal exodus, predominantly a Celtic exodus. But this great exodus is something that the United States can in no way replicate. For the United States is also a net importer of people.

Now, an empire without settlers is hard thing to imagine; certainly, an American empire is unlikely ever to produce a significant export of talented Americans to run it. This is a fundamental problem. It is not just that there is a shortage of troops on the ground in a country like Iraq, though there clearly is. Much more serious it seems to me, is that there is a shortage of Americans outside the United States, full stop. Comparatively few Americans want to spend their lives overseas; it is a simple but terribly important point. A century ago, to an extraordinary extent, the educational elite of the United Kingdom aspired to spend their careers engaged in governing places like the Punjab. If you were to suggest to the graduating class of this year's Harvard Law School that they might consider governing Baghdad as a long-term career opportunity, I do not think you would see them for dust.

You cannot really have an empire if there are only say 3.5 million Americans resident abroad, and nearly all of them are living in Canada, Mexico, or Western Europe; hardly areas of a strategically crucial nature. And that I think is a fundamental problem. Without Americans willing to engage in the fundamental project of nation building, when it is a positive fight to get even the Marines to do tours of duty of more than six months at a time, the American footprint on those countries, it hopes to transform, is terribly faint. And it will remain faint; it seems to me, for the foreseeable future.

That brings me to my final deficit, the third of what seemed to be the key differences between America's empire and Britain's. And it's an appropriate one to mention towards the end of a lecture, which after a busy day at work has perhaps not been entirely easy to follow. The most important deficit it seems to me that the United States suffers from is in fact an attention deficit. This is not intended as a facetious remark, because it seems to me to be absolutely crucial to what's going wrong in Iraq today. It seems to me that the biggest difference of all between American and British undertakings in what one might euphemistically call 'nation bundling' the transformation of foreign countries has to do with the time frame.

The British tended not to envisage departing the places that they annexed, for the foreseeable future. They thought in terms of generations. The transition to representative government in India was something that Macaulay was prepared to talk about as early as the 1830s, but conspicuously he did not set a deadline for this transition. By contrast, when the United States intervenes in foreign countries, it can hardly wait to come home. Indeed it makes a virtue of this. American presidents from Lyndon Johnson to George W. Bush have gloried in the fact that
when the United States intervenes in a foreign country, it almost immediately returns home, or as soon as possible thereafter. Johnson said it in 1965 about the Dominican Republic, and we have heard George Bush say it about Iraq several times this year. Ladies and gentleman, there are, it seems to me, fundamental problems with this approach to empire.

One can understand why it happens. American politicians have to keep one eye on the electorate, and if one charts opinion polls, it is amazing how quickly the electorate loses patience with costly foreign entanglements. There is a kind of ski slope effect from the initial euphoria when the intervention occurs, to a very rapid downward trend in popularity for nearly all presidents who have undertaken this kind of intervention. I have been comparing the popularity of the Korean War, the Vietnam War, the first Gulf War, and the most recent Gulf War, and the trajectory is almost the same in every case: initial euphoria, steady decline in public confidence. So naturally, presidents flail around trying to find closure, trying to offer an exit, trying to set a terminal date.

But this is of course fatal, fatal for the undertaking for one very fundamental reason, and it is the most important thing I'll say tonight, empires cannot be based on coercion; they are fundamentally based on the consent and collaboration of local elites. That was how it was possible for less than a thousand British civil servants to rule 350 million Indians for as long as they did. But why, ladies and gentlemen, should anybody collaborate with an American provisional authority that is already promising that it will soon be gone? That is the fundamental paradox, the Catch 22 of American empire. When you say you come as liberators, unfortunately you mean it. And in meaning it, you undermine your own authority from the outset.

There can be no long-term stability without long-term commitments. It is no irony; it is no coincidence that in the two cases most often sited by President Bush, West Germany and Japan, American troops remained not just for the duration of seven to ten years of formal occupation, but even now to the present day. This was not intended. It is an accident. Almost from the moment he arrived, General Lucius Clay, who was in charge of the occupation of American zone in western Germany, wanted to get rid of that responsibility, wanted to effect the most rapid possible transition to civil government. And I think that if he had succeeded in 1946, it is almost impossible to foresee what might have happened.

Time is the great problem for a historian. Time in the sense that its very hard to remember just how long it took to turn West Germany around, just how long it took to turn Japan around. It has been roughly five months since President George W. Bush pronounced the war in Iraq over. If you had gone to West Germany five months after V.E. Day, or to Tokyo five months after McArthur arrived in Japan, you would have seen few traces of the coming economic miracle. It just so happened that the threat of another empire, a rival empire, the Soviet Empire, forced the Americans to change their minds about an early departure from these countries; so that from 1947 onwards, they committed themselves to ever longer military presences in both. I would suggest that is why these two cases are the exceptions
There is another reason though, and this is the final point I want to make. In 1947 and 1948, the United States deviated from its historic practice of running its colonies on the cheap. I joked the other day that the Walmart principle of empire appeared to be the guiding light of American policy, lowest prices always. But you cannot run nation building operations on that Walmart principle. The reason that West Germany and Japan successfully made the transition from rogue regime to model democracy has much to do with the colossal amounts of money that took the form of aid, Marshall aid, but also other aid, and was channeled from the United States to those countries in the dark days of the late 1940s. Until there are similar commitments of time and of money, ladies and gentlemen, nation-building projects, in countries as tough as Afghanistan and Iraq to crack are doomed to fail.

The punch line ladies and gentlemen is that, yes, there are lessons from history, we all know that, but Americans have to learn that the history they need to learn from is not necessarily their own. The myth of American exceptionalism, which leads Americans endlessly to study their own past, and never to learn from the experience of other empires, is the great trap here. In all of world history, there have been roughly 86 empires. This, I make the calculation very roughly, is the 86th. But it will not be an enduring empire and its achievements will be little to boast of, if it does not sooner or later learn from the successes and the failures of the last great Anglophone empire, the British one.

Thank you very much.