Farsighted Leadership in a Shortsighted World
Looking Beyond the 2012 U.S. Election

Nine essays on key election issues underscore the opportunity for candidates Barack Obama and Mitt Romney to ground their competing visions for the nation in the kind of long view that is necessary for effective leadership.
Get the Big Picture

RAND Review covers the big issues with an eye for the important details.
# Message from the Editor

**Designed in the Public Interest**

In the weeks leading up to the 2012 U.S. presidential election, it is refreshing to note that RAND is nonpartisan and that, as a nonprofit institution, it serves the public interest—or the common good of all. The essays in our cover story, for example, point toward solutions to pressing national and international problems without taking sides. The premise of each essay is that focusing on facts, not politics, will lead to the best ideas, policies, and overall results.

This issue of RAND Review also introduces format changes that benefit RAND’s dedication to the public good. Our opening space is now called “Public Square,” because it acts as a gathering spot for RAND voices in the news, in government meetings, on the web, and in other public forums. The area that we set aside for prominent speakers who visit RAND has been reconfigured to accommodate a larger assembly of voices and has been aptly renamed “Common Ground.” We now call our two-page infographic spread “Viewing Gallery” to honor those public spaces, such as airport and skyscraper observation decks, that offer universal access to spectacular sights.

What distinguishes RAND Review from most periodicals is that this magazine is, in fact, a public good. It is free, and it is devoted to public policy. It exists to amplify and to clarify the messages from RAND research that can benefit the greatest numbers of people. We aim to express, through format as well as words, the finest of RAND’s work, which has always been designed and sustained in the public interest.

—John Godges

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### Cover Story

**Farsighted Leadership in a Shortsighted World**

Looking Beyond the 2012 U.S. Election  
*Michael D. Rich*

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Letter to the Editor

Your Spring 2012 issue has a short, excellent piece by Rajeev Ramchand on military suicides, citing an alarming increase and a large number for this very serious problem. The current rate the author cites of 18 per 100,000 (whatever that unclear statistic means) is put in much more understandable terms by a recent Wall Street Journal article that describes an average of one suicide per day.

This is very high, but please do not make a very serious problem appear much worse than it is by using an unclear statistic no one can readily relate to since the time frame is not cited. I assume the writer meant that “18 deaths per 100,000” means deaths per year; and for the 2-million-person armed forces, means 360 deaths per year. Some I know have incorrectly interpreted the RAND Review’s reported rate to mean 18 deaths per day.

Thus, I believe the Wall Street Journal’s statistic and Ramchand’s actually come together for a 2-million-person force on both a daily and per 100,000 basis, but the Journal’s way of looking at the occurrences on an actual daily basis makes it much more understandable for the reader to grasp the seriousness of the problem and extrapolate the yearly total.

The author’s suggestions on stemming the problem, along with the other accompanying writers’ ideas in this featured article, of course are excellent. Thank you for highlighting this most serious problem.

—Jeffrey Ruthizer, Capt (Ret.), JAG Corps, U.S. Army Reserve

Editor’s Response: You raise a valid point. Although the opening sentence of the article does say that the rate rose from 10 to 18 per 100,000 between 2001 and 2009 (thus confirming your assumption), this presentation of the data is less than pellucid. The more accurate presentation would have been an annual suicide rate of “18 suicides per 100,000 servicemembers, representing 309 suicides in 2009.” We appreciate your pointing out the danger of this kind of easily misinterpreted data. It is a danger that we strive to prevent, and your letter will help us do so in the future.

BYTHENUMBERS

DROPPING OUT, OPTING IN

Why the National Guard’s Youth ChalleNGe Program for high school dropouts is a solid social investment

High school dropouts are more likely than graduates to commit crimes, abuse drugs and alcohol, have children out of wedlock, earn low wages, be un- or underemployed, and experience poor health. But individuals and families aren’t the only ones who suffer: Society bears costs, too, paying for dropouts’ increased dependency on welfare, increased criminal activity, and decreased engagement in community service.

RAND researchers studying the National Guard Youth ChalleNGe Program—an intensive residential and mentoring program for qualified dropouts ages 16 to 18—found that the benefits associated with the program more than repay society’s investment in it.

154 DAYS
Time a cadet spends in residence at a base or training center

18 MONTHS
Time a cadet spends in a post-residential mentoring relationship

$15,436 IN COSTS
Program cost per cadet, in terms of operating and opportunity costs

$2,266 MORE
Change in a cadet’s monthly wages, compared with nonparticipants

$1,543,600 IN BENEFITS
Program benefits per cadet, in terms of additional lifetime earnings, reduced social welfare dependency and criminal activity, and increased community service

THE BOTTOM LINE

166% RETURN ON INVESTMENT

“RAND’s study found that the VA system delivered higher-quality care than the national sample of private hospitals on all measures except acute care (on which the two samples performed comparably). In nearly every other respect, VA patients received consistently better care across the board.”

—Arthur L. Kellermann, RAND’s Paul O’Neill-Alcoa chair in policy analysis, on RAND.org, August 8, 2012
“Inclusionary zoning either encourages or mandates real estate developers to set aside a portion of the homes they build to be either rented or sold at below-market prices; in exchange, the jurisdiction usually provides the developer some kind of incentive to offset the financial losses that he or she incurs on these homes. A common example is allowing the developer to build more square feet of housing than would normally be allowed under the zoning code.

“We tested whether inclusionary zoning actually does offer low-income families homes in low-poverty places by collecting data from 11 cities or counties with inclusionary zoning programs. The bottom line is, yes, overall, inclusionary zoning does succeed in providing low-income people access to low-poverty neighborhoods and to high-performing schools.”

—Heather L. Schwartz, RAND policy researcher, on RAND’s “Resilient Communities” podcast
Persians and Ottomans

“Turkey and Iran have been strategic rivals since the 16th and 17th centuries, when the Persian Safavid dynasty blunted the Ottoman Empire’s eastward expansion. The Arab Spring has given this historical rivalry new life. Since the summer of 2011, conflicts between the two countries have become more visible on Syria, missile defense, secularism, Palestine, Iraq, and the Kurdish issue. As pressures for greater democracy in the Middle East have intensified, Turkey and Iran have clashed more openly, and each side has sought to expand its influence at the expense of the other.”

F. Stephen Larrabee, RAND’s distinguished chair in European security, on ForeignAffairs.com, July 11, 2012

U.S. Gulf States Among Top in New HIV, AIDS Cases

Three of the five American cities most affected by new HIV and AIDS cases in recent years are located in the Gulf States region. . . . The high rates of infection in Baton Rouge, New Orleans, and Jackson, Mississippi, disproportionately affect blacks and men having sex with men—and suggest prevention efforts for these populations are insufficient and that more targeted efforts may be required. Especially in rural areas in the Gulf States region, HIV primary care specialists are in short supply, and access to care is limited, especially among the poor, who are often uninsured.

When diagnosed, people sometimes delay seeking care for several reasons, including structural, financial, and personal/cultural barriers arising from racial, ethnic, and gender disparities. Stigmatization by health care providers of HIV-positive individuals has been well documented, especially among populations experiencing common “comorbidities,” such as homelessness, serious mental illness, and substance abuse. These conditions often prevent patients from seeking and receiving treatment, or adhering to treatment even when it is available. . . .

RAND will seek to leverage its expertise in HIV research in the Gulf States, including community-based research that engages faith-based organizations in HIV prevention, testing models of integrated care for HIV patients with comorbid conditions, and addressing social barriers—such as HIV stigma, racism, and homophobia—to HIV testing and care.

—Vivian Towe, RAND associate behavioral/social scientist, on The RAND Blog, June 27, 2012

Premium Cadillacs

“If everyone who wanted to drive had to buy a Cadillac, a lot of people would find themselves on foot. Michigan’s current rules require every resident to purchase Cadillac-level auto insurance. That keeps premiums high and auto insurance unaffordable for many.”

Paul Heaton, Director of the RAND Institute for Civil Justice, in The Detroit News, July 17, 2012
Window on the World

Dozens of presidential elections are being held in 2012 around the globe, from Albania to Venezuela. Meanwhile, the world is witnessing several additional leadership transitions, from China to Yemen. Here is a sampling of RAND observations on some of the nations in flux.

**FRANCE**

“French President François Hollande’s insistence on sticking with his campaign pledge to withdraw France’s 3,400 combat forces from Afghanistan by the end of the year was unsurprising, but unwelcome and against the principle of ‘in together, out together’ agreed at Lisbon. Other allies, most likely the United States, will need to fill in the resulting shortfall, and France’s precipitous departure could put pressure on other European leaders to accelerate their own plans, causing further strain.”

Christopher S. Chivvis, RAND senior political scientist, on GlobalSecurity.org, May 24, 2012

**EGYPT**

“Prior to what’s called the January 25 Revolution in Egypt, the dynamic that people looked at was a trade-off between stability and reform. You could say that many in the United States favored stability over reform, because they wanted Egypt to be a regional ally. They wanted access to Egypt in terms of naval transit to the Suez and overflight [rights]. But I believe now there’s been a paradigm shift, and people recognize that, in fact, stability and reform isn’t a zero-sum game in the sense that actually reform could be stabilizing, that the status quo of authoritarianism was actually destabilizing, that it was leading to pent-up frustration that would eventually vent.”

Jeffrey Martini, RAND Middle East analyst, on CBS Radio Weekend Roundup, June 15, 2012

**LIBYA**

“No one should be surprised by the tumult we’ve seen generally in the Arab world in the wake of regime changes. We should expect to see a lot of differences in post-conflict countries. Libya is a particularly challenging case because of the complete dearth of institutions. ‘They’re not just reforming or rewriting a constitution. For Libyans, it’s really a question of creating a fundamental concept of the state from scratch.’”

Laurel E. Miller, RAND senior policy analyst, as quoted within a Los Angeles Times article, July 7, 2012

**MEXICO**

“This modern, sophisticated state cohabits the country with rich and powerful criminal cartels that wage war on one another and challenge any authority that gets in their way, creating in effect a ‘criminal insurgency.’ The new president-elect has promised to address the violence by bringing the army back to its barracks and deploying a more effective police force. Building that force, however, will require significant resources and take time. In the interim, some fear that peace can be purchased only through local accommodations with at least some of the cartels.”

Brian Michael Jenkins, senior adviser to the RAND president, in testimony presented before the U.S. Senate Homeland Security and Governmental Affairs Committee, July 11, 2012

**GREECE**

“Any government is going to have to deal with the expectations raised during the campaign that the new government can do something better to ease the pain of the Greeks. The problem is going to be to find an experienced, talented finance minister and foreign minister with whom the Europeans can have confidence. Ironically enough, the Greek problem is less a market problem for Greece itself and more of a negotiations problem. They need to negotiate with the Europeans about the conditions under which the Europeans would release the next tranche of funding under the bailout.”

Charles Ries, former U.S. ambassador to Greece, and RAND vice president, international, on Bloomberg Television’s “InBusiness,” June 15, 2012

**RUSSIA**

“The chief beneficiaries of [Vladimir] Putin’s rule—the increasingly affluent and middle-class residents of places like Moscow—show no signs of muffling their anger about his return to the Kremlin despite an ongoing crackdown on political dissent. Still, Putin knows how to cater to the two-thirds of the Russian electorate that voted for him in March and reside primarily in Russia’s smaller cities and countryside. He may find it hard to resist the temptation to play upon their worst fears and anti-Western stereotypes. Sacrificing the past several years of dramatic improvement in the U.S.-Russian relationship may seem like a small price to pay if it breathes new life and legitimacy into his rule.”

Andrew S. Weiss, director, RAND Center for Russia and Eurasia, in Foreign Policy, June 19, 2012
Money Under the Mattress?

New findings show growing rates of unbanked Americans

Having a bank account increases security, reduces vulnerability to theft, and helps account holders develop financial smarts. But survey data from RAND’s American Life Panel suggest that the fraction of American households with no savings or checking bank accounts is on the rise.

15.5% UNBANKED IN 2011
Up by about a third since a 2009 FINRA Investor Education Foundation survey

$30,000 A CLASS DIVIDE
36% of households earning less than $30,000 a year are unbanked, compared with just 7% of those earning more

1 in 3 PROPORTION OF BLACKS AND HISPANICS WHO ARE UNBANKED
Racial and ethnic disparities in banking status persist, but there is no gender gap

WHY?
TOP 3 REASONS RESPONDENTS SAY THEY DON’T BANK
Not enough money, 58%
Don’t like dealing with banks, 40%
Don’t want/need an account, 35%


Afghans and Indians

“A more robust Indian military role in Afghanistan represents one of the best ways to advance New Delhi’s strategic interests while fostering Kabul’s continued security and economic development after U.S. and NATO forces begin to withdraw in 2014.”

Larry Hanauer and Peter Chalk, RAND senior international policy analysts, in Hindustan Times, July 11, 2012

Fighting Wildfires

“Because scoopers cost less and can make multiple water drops per hour when water sources are nearby, the most cost-effective firefighting fleet for the U.S. Forest Service will have more scoopers than air tankers for the prevention of large fires. However, air tankers are important in an ancillary role in initial attack for the minority of wildfires where water sources are not nearby, and possibly for fighting large fires as well.”

The RAND Corporation is honored to have PNC as a Premier Sponsor of Politics Aside 2012.

Politics Aside is an invitation-only, postelection retreat that engages policymakers, opinion leaders, philanthropists, and RAND’s leading thinkers in a nonpartisan examination of pressing policy challenges. Proceeds support RAND’s Investment in People and Ideas program, our vehicle for funding research inquiries into critical but often underappreciated policy areas and attracting the world’s top talent to focus on these challenges.

Politics Aside 2012 • November 15–17 • www.rand.org/politicsaside
Raising the Bar
An Interview with California Chief Justice Tani Cantil-Sakauye

S

worn in on January 3, 2011, as California’s 28th chief justice, Tani Cantil-Sakauye is the first Asian-Filipina American and second woman to serve in that role. In a wide-ranging interview at the RAND Corporation, she discussed the importance of collaborative courts, her efforts to help the judiciary deal with the state’s budget crisis, and other areas of focus. Below are some of her responses to questions from Lindsey Kozberg, RAND’s vice president for external affairs.

At its highest, in 2008, the budget for the California courts was $4 billion. The budget for next year is proposed to be about $3.3 billion. That’s a cut of about $653 million over four years. How do you go about securing funding, and are there champions who help you out?

We went to the Department of Finance this summer and said, “We have a plan for going forward, and here it is: We’ve contacted the attorneys who’ve supported us in a fully funded judiciary, and we’ve asked them if they could do their part with some kind of increase in fees or fines. Then we went to the trial courts and said we need you to somehow operationalize an additional $100 million of cuts. We will also look in our dwindling pockets of reserves for another $50 million. And then we went to the governor’s office and said we need a $100 million restoration. Together, with the attorneys’ help in fees and fines, with the court’s operationalizing $100 million, with us finding another $50 million, and with a $100 million restoration, we have a $300 million restoration plan. We think we can survive on $300 million more to our branch, even if you cut us $653 million.”

So we are actively working to seek restoration from the general fund of $100 million that we think will help us function. The attorney groups, the bar associations, and even business groups have been our great supporters. The attorneys know that they are unable to represent their clients if the judicial branch is not fully functioning.

Before becoming chief justice, you presided over a collaborative court in Sacramento dedicated solely to domestic violence issues. Can you talk about that experience?

In Sacramento, the district attorney knew that domestic violence was a huge problem in the community that was going under the radar. Although people were skeptical that a collaborative court was needed or could sustain itself, we created it and ended up running a jammed courtroom with over 200 cases per day from eight in the morning to six in the evening. It got to the point where I knew families. I knew what the situation was. I knew of the children. I felt for the first time, as a judge, really tied into the community. We found that if the core family was being tended to, the collateral problems—juvenile delinquency and minor crime—also dissipated in that family.

So tell us about your work on suspensions and expulsions in schools.

My first direction to the state Judicial Council has been to establish partnerships with schools to provide a “restorative justice bridge” to ensure that kids who have been suspended or expelled are put back in school and do not have their school lives disrupted.
by being put into the juvenile justice system or sent to juvenile hall. The other aspect of this has to do with civics education. We have a lot of middle and high school students who don’t understand the separation of powers in government between the executive, legislative, and judicial branches. Studies show that more students can name the Three Stooges than the three branches of government and that students can name all the judges on “American Idol” but not one judge on the U.S. Supreme Court. As a society, we depend on our children to become the next group of leaders. We need them to understand that if we pass legislation to improve education, housing, health care, or business, the promise of that legislation is illusory if there is no way to enforce the law. In 2013, we hope to roll out an education initiative to get civics education back into middle and high schools, maybe not as a core class in the curriculum, but by integrating it into other core classes, such as social studies, English, and math.

Editor’s Note: After the chief justice’s April appearance at RAND, the California legislature passed and the governor signed a state budget that imposed an additional $544 million in cuts on the judicial branch for the 2012–2013 fiscal year—on top of the $635 million from the prior years. Trial courts will have to absorb a $285 million cut, primarily through use of reserve funds, even though many of these funds are already committed to covering previous cuts or for needed court improvement projects. Another $240 million will be taken from the court construction fund, freezing up to 31 courthouse projects for a year or more. The Judicial Council and Administrative Office of the Courts were cut by $15 million, with another $4 million to be cut from statewide administrative entities, the Supreme Court, and courts of appeal.

Listen to the podcast

Voices from Commencement Weekend

Highlights from the remarks made during the Pardee RAND Graduate School commencement ceremony and related activities of June 22–23, 2012, appear below. The school awarded 32 doctoral degrees, 42 master’s degrees, and 3 honorary degrees.

“To solve problems, one needs to consider multiple dimensions. When I consider a problem, it is now instinctive for me to think about the institutions involved, the authorizing environment, possible coalitions, likely opposition, implementation, legal issues, resource dimensions, communications—and how the problem fits into a stream of other issues. The whole elephant. Because if you look only at the foot, you are likely to miss the toothache that prompts the kick.”

—Robert B. Zoellick, commencement speaker and then-president of the World Bank

“The emerging cyber warfare threat is more dangerous, more insidious, and more threatening than nuclear war was 50 years ago. . . . The government is so confused that DARPA [the Defense Advanced Research Projects Agency] has devised a new ‘Plan X’ for cyber warfare that is aimed at tapping into the brainpower and innovative skills of social network companies, like Facebook and Groupon, and electronic game designers, like Electronic Arts, to help them think strategically through the cyber warfare problem. That would be akin to the old Strategic Air Command looking to Mattel or the Bradley Brothers Company for strategic advice on nuclear war in the 1960s. These are problems for RAND [to address].”

—Mark Albrecht, chairman of the board, U.S. Space LLC, upon receiving the inaugural alumni leadership award

“There is a Goldman Sachs saying that goes roughly, ‘You don’t make money through the business plan; it’s really through the execution.’ As I’ve looked at public policy over the years, it strikes me that that’s very true in the public sector as well. Although we spend a lot of time educating people with very high-powered techniques like the ones that you’ve gotten in this school to analyze public policy, the big failures really come in the execution. That is something you’re going to face every day in actual jobs beyond your education.”

—Francis Fukuyama, senior fellow, Stanford University, and recipient of an honorary doctoral degree in public policy

“Remember that people have hired you because they want you to tell them the truth. Now, big organizations sometimes have difficulty with the truth. Even the people who ask for the truth sometimes find it uncomfortable. So you’re going to have to have courage. In this role as a policy analyst, it’s not only being sure you’ve got things right and you’re helping people to do the right thing, but sometimes you’re going to have to have courage, because when people don’t want to hear the truth, sometimes they can get very nasty.”

—James Thomson, former president and chief executive officer of RAND and recipient of an honorary doctoral degree in public policy

For more than four decades, the Pardee RAND Graduate School (PRGS) has provided a unique educational experience for a select group of students. The school’s curriculum is renowned for its rigor and breadth, and its location at RAND’s headquarters campus offers unparalleled access to world-class policy experts and experience. Every day at PRGS, students are called upon to Be the Answer to the challenges they see in their communities and throughout the world.
Most Americans eat out at least once a week, according to the U.S. Department of Agriculture. So they might be dismayed to learn that 96 percent of the entrées from more than 200 chain restaurants contain more calories, fat, and sodium than should be consumed in one sitting. (This finding applies to any adult who eats three roughly nutritionally equivalent meals a day and hopes to stay within U.S. dietary guidelines for a daily 2,000-calorie diet.) Equally distressing? The fact that items consumed before and after entrées—such as specialty drinks, appetizers, sides, and desserts—substantially increase the counts. Using the average nutritional values calculated by RAND researchers for each item type, our fictional four-course meal illustrates just how easy it is to consume many times more nutrients than most of us need.

Our four-course meal overshoots the target for one adult meal many times over.

### Nutrition Facts

<table>
<thead>
<tr>
<th></th>
<th>Our Four-Course Meal</th>
<th>Per-Meal Target</th>
<th>Our Meal as a % of Target</th>
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<tbody>
<tr>
<td>Calories</td>
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<tr>
<td>Sat.</td>
<td>50g</td>
<td>7g</td>
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<tr>
<td>Trans</td>
<td>1g</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Sodium</td>
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<td>767mg</td>
<td>598%</td>
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<tr>
<td>Total Carb.</td>
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<td>43g</td>
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<tr>
<td>Protein</td>
<td>93g</td>
<td>15g–19g</td>
<td>489%–620%</td>
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Who saved room for dessert? Our apple cinnamon caramel pie with vanilla bean ice cream is out of this world!

### Average Entrée with One Side

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<table>
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<tr>
<td>Total Carb.</td>
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<tr>
<td>Protein</td>
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### Average Dessert

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<tr>
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<td>Sat.</td>
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</tr>
<tr>
<td>Trans</td>
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<tr>
<td>Sodium</td>
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<tr>
<td>Total Carb.</td>
<td>59g</td>
</tr>
<tr>
<td>Protein</td>
<td>8g</td>
</tr>
</tbody>
</table>

Our Mighty Big Burger with a side of fries is an excellent choice, especially if you brought your appetite!
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By Michael D. Rich

Michael D. Rich is president and chief executive officer of the RAND Corporation.

RENOWNED MANAGEMENT and organizational scholar Warren Bennis has observed that effective leaders in government and industry exhibit a common trait: They take the long view. Bucking short-term thinking and quick fixes, these leaders generate change that is lasting and productive.

Yet as the U.S. presidential election draws close, there is increasing demand for simple answers to complex questions, immediate solutions to entrenched challenges, and ten-second sound bites to sum it all up.

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Charles Wolf, Jr., and John Godges argue that the pervasive debates over U.S. income inequality miss a salient issue: We should be paying attention to the causes of income gaps, not just their size.

Art Kellermann notes that even with the U.S. Supreme Court’s ruling in June to uphold the Affordable Care Act, high health care costs will not disappear. If anything, they will continue to climb, despite the cost-saving measures in the Affordable Care Act. He points to electronic medical records, reduced use of unnecessary procedures, reformed payment systems, and responsibly designed consumer-directed health plans as good foundations to start building a high-value health care system.

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Regarding immigration, James Smith advises that the debate should account for the differential effects that legal and illegal immigration have on the U.S. economy and on U.S. taxpayers. After assessing the costs and benefits of immigration in dollar terms, Smith offers a way out of the current “muddle” of U.S. immigration policy.

On energy policy, Keith Crane identifies some promising options for renewable fuels. In parallel, he suggests that a “port authority” be established to manage and regulate the country’s oil shale industry and that a tax on crude oil could replace the existing federal gas tax used to pay for highways.

Given that both Obama and Romney favor more student testing and outcomes-based teacher evaluations to improve education, Darleen Opfer calls for reforms whereby state and local education authorities would adopt common standards for students, test students for higher-thinking skills, and incorporate observations of classroom practices into teacher evaluations.

Regarding al Qaeda, Seth Jones recommends that both candidates widen their focus beyond Afghanistan and Pakistan to other areas where al Qaeda is resurgent—and that U.S. leaders remember the painful lessons learned over the past two decades of fighting al Qaeda.

On Iraq, Larry Hanauer reminds us that Kirkuk could be a flashpoint for years to come, warranting the designation of a special envoy for the territory and continued funds to promote local civil society and municipal governance.

Democratic movements in the Arab world could also take years to succeed, Laurel Miller cautions. The United States should tailor policies to each democratization push, rather than devise one generic approach. Taking the long view would mean fostering “government accountability mechanisms” in the emerging democracies and encouraging civilian control of security institutions.

With respect to China, James Dobbins and Roger Cliff note that both the Obama and Romney campaigns call for a larger U.S. military presence in the Asia-Pacific region. While the United States should be concerned with China’s growing military capabilities, U.S. leaders should also draw China into cooperative security endeavors and cement a solid, stable, and strong economic relationship with that country.

The ideas presented here do not favor one candidate over another. Rather, they favor the recognition and exploration of the full complexity of today’s most pressing policy challenges. They ask leaders to take the long view. ■

**Editor’s Note:** Each of the following essays conforms to a deliberately nonpartisan structure, beginning with a neutral statement of President Obama’s record and a neutral statement of Governor Romney’s position. The opinions of the RAND experts commence thereafter.

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## Income Inequality

Charles Wolf, Jr., and John Godges on isolating its sources

Income inequality, which became the principal concern of the Occupy Wall Street movement of late 2011 and much of 2012, has remained a prominent issue throughout a presidential campaign season focused on jobs, the economy, and taxes. Unfortunately, the ongoing U.S. debate on income inequality emphasizes the magnitude of inequality and the changes in it. The debate neglects why inequality occurs, which reasons are good and which are not, and what, if anything, to do about it.

President Obama argues that the U.S. tax code has benefited the wealthy and well connected at the expense of the vast majority of Americans. His campaign asserts that a third of the 400 highest-income taxpayers paid an average rate of just 15 percent or less in 2008. That is why he has proposed the Buffett Rule, asking millionaires and billionaires to pay their “fair share.” Obama has also asked Congress to reform the tax code and to close tax loopholes for millionaires and billionaires, as well as hedge fund managers, private jet owners, and oil companies. Meanwhile, he has cut taxes for middle-class families and small businesses.

Governor Romney, in contrast, argues that America’s individual tax code applies relatively high marginal tax rates on a narrow tax base, discouraging work and entrepreneurship, and that the country’s 35-percent corporate tax rate is among the highest in the industrial world, reducing the ability of the nation’s businesses to compete in the global economy. Romney promises to make a permanent, across-the-board, 20-percent cut in individual marginal tax rates; to eliminate taxes on interest, dividends, and capital gains for those with adjusted gross incomes below $200,000; to cut the corporate tax rate to 25 percent; and to repeal other taxes.

In the charged environment of the U.S. presidential election campaign, this debate is sometimes referred to as “class warfare.” The heated debate includes allusions to the role of inequality as a contributing cause of America’s recession, the increased inequality that has resulted from the recession, and the extent to which increased inequality has adversely affected the pace and vigor of recovery from this recession compared with prior ones.

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RAND is a nonpartisan institution and does not espouse or exert pressure toward particular electoral or legislative outcomes, nor does RAND participate or in any sense intervene in political campaigns on behalf of or in opposition to any candidate for public office. However, we do make all of our research and analysis that exists in the public domain available to any candidate who asks for it.
It is useful to consider the best single indicator of inequality: the Gini coefficient, named for the 20th-century Italian statistician Corrado Gini. The Gini coefficient represents the gap between a percentage of the population and its corresponding percentage of income received.

If 1 percent of the population receives 1 percent of total income, and 5 percent of the population receives 5 percent of total income, and all other population percentages receive their corresponding percentages of total income—that is, if there is no gap between the population and income percentages—then the Gini coefficient is 0, representing perfect equality of incomes. If, at the other extreme, a single recipient receives all income, then the Gini coefficient hits its peak of 1, representing maximum inequality. In the real world, the country with the greatest income inequality is Namibia, where the bottom 70 percent of the population earns only 7 percent of the income and the top 30 percent earns 93 percent of the income, resulting in a Gini coefficient of 0.71. Sweden has one of the lowest Gini coefficients, at 0.23.

According to the best U.S. government data estimating Gini coefficients around the world, the United States falls in the middle of the range (between 0.45 and 0.49). European countries show less inequality than the United States, as do Japan, South Korea, India, Turkey, and Israel. Several rapidly growing developing economies, including Brazil, show greater inequality.

But whether any level or change in the Gini coefficient is “good” or “bad” cannot be inferred from the coefficient alone. The crucial question is what accounts for the inequality? For those with more income, is it due to greater work effort, higher labor productivity, innovation, entrepreneurship, better technology, more efficient management; or, instead, to favoritism, nepotism, collusion, bribery, fraud, insider trading, special privilege, other forms of corruption, or unequal opportunity? If the explanation lies in higher productivity and better management, then the income inequality warrants encouragement. If, instead, the inequality is due to nepotism and corruption, it should be combated and reversed. If the answer is a combination, which explanation predominates? And how can the positive factors be encouraged, while the latter are reduced?

The mixed picture of income inequality around the world reinforces the basic take-away point: It is more important to know the underlying explanations for inequality across countries and within them, rather than the amount of inequality or changes in it. The inequality debate should focus more on the sources of and reasons for inequality, and less on how much inequality there is, or how much it has changed; more on explaining inequality, and less on deploring or defending it.

The crucial question is what accounts for the inequality?
Affordable Health Care

Arthur L. Kellermann on health care costs

Art Kellermann, a physician and RAND health researcher, holds the Paul O’Neill-Alcoa chair in policy analysis at RAND.

When the U.S. Supreme Court upheld the constitutionality of President Obama’s Affordable Care Act (ACA) in June, the ruling ended a major battle, but not the war, over health care reform. In fact, the fate of the ACA is a major issue in the upcoming U.S. congressional and presidential elections. Whether the law is repealed, defended, or weakened will hinge on who holds the balance of power next January. But in the long term, the struggle will continue, because a major point of contention—the spiraling cost of health care in the United States—will grow more acute with each passing year.

The ACA aims to dramatically reduce the ranks of the uninsured and make health care more affordable for families of modest income and small businesses by giving both of them access to state-based health insurance exchanges. Enabling purchasers of coverage to band together this way offers a big advantage over the existing nongroup market. The Obama administration claims that these exchanges could save middle-class families without employer-sponsored coverage thousands of dollars per year and cut health care costs for small businesses by nearly 9 percent.

The law also aims to keep insurance premiums down by requiring that insurance companies devote at least 80 percent of every premium dollar to covering the health care expenses of their customers rather than to overhead, marketing, and profits. The law also promotes preventive care by obliging insurers to cover effective preventive services without copayments or deductibles.

Republicans and no small number of political independents see the ACA (“Obamacare” to its critics) as a federal government intrusion. Governor Romney promises to dismantle the ACA and, instead, “empower the states to determine their own health care futures” by offering them Medicaid block grants and easing federal standards and requirements on private insurance and Medicaid coverage. If elected president, Romney vows that on his first day in office, he will “issue an executive order that paves the way for the federal government to issue Obamacare waivers to all fifty states.” Then, he will work with Congress to repeal the law as quickly as possible.

Whether the ACA survives or is ultimately repealed or scaled back won’t change the underlying challenge that the U.S. government and the American people face: Our health care system costs too much. Worse yet, it is growing more expensive with each passing year.
The United States has the least efficient health care system in the developed world. We can change that by harnessing innovation.

health insurance grew steadily from 1999 to 2009 (the onset of the Great Recession), rising health care costs wiped out nearly all of the family’s hard-won gains. If health care costs had grown at simply the rate of inflation, this typical middle-class family would have had an additional $5,400 to spend on other priorities in 2009 alone.

What did we get for the extra spending? Lots of tests and treatments, but not much actual benefit to our health. A 2011 study by RAND Europe compared 16 high-income nations to see how well each prevented deaths from medical conditions that we know how to treat. The United States finished last. American medicine can work miracles for an individual patient, but our health care system is failing too many too often, and it costs too much.

The United States has the least efficient health care system in the developed world. We can change that by harnessing innovation to create value in health care, as we have in other parts of the U.S. economy. RAND research has identified several promising places to start: expanding the use of electronic medical records; reducing the use of costly but unnecessary medical testing and imaging procedures; reforming the way we pay doctors and hospitals so that the payment systems promote efficiency; and finding ways to expand consumer-directed, high-deductible health plans without reducing the use of recommended care.

Regardless of the outcome of the upcoming elections, we must begin transforming our costly and underperforming health care system into the high-value, high-performance model Americans need and deserve.

Immigration Reform

James P. Smith on costs and benefits

James Smith holds RAND’s distinguished chair in labor markets and demographic studies.

Unable to persuade Congress to pass the Dream Act, which would offer a path to citizenship for certain illegal immigrants brought to the United States before age 16, President Obama announced an executive decision in June ending most deportations of children of illegal immigrants. An estimated 800,000 eligible individuals up to age 30 who pose no security or public safety risk can request temporary relief from deportation and apply for work authorization.

The administration also takes credit for “putting more boots on the southern border” and “fewer illegal crossings than at any time in the past 40 years,” and for “focusing on criminals who endanger our communities rather than students earning their education.” As a result, the Obama camp boasts, “deportation of criminals is up 80 percent.”

Governor Romney has characterized Obama’s executive action as a short-term solution to a long-term problem. “At the same time that unskilled workers are able to come here illegally,” Romney adds, “we do not grant enough visas to high-skill job creators and innovators seeking to come here legally. And it is too difficult for businesses to secure visas for foreign workers to make up for labor shortages and gaps in skills.”

Romney has vowed to raise visa caps for highly skilled workers; grant permanent residency status to those with advanced degrees in math, science, and engineering; update the system of temporary work visas “so that it meets our economic needs”; complete a high-tech fence and deploy enough border patrol agents “to finally secure our southern border”; establish tamper-proof employment verification systems that enable employers to hire only legal residents; and oppose benefits or amnesty for illegal immigrants, except for those in the military.

Research has shown that legal and illegal immigrants could hardly be more different. Legal immigrants are more skilled than the typical American and divide roughly equally among Asians, Latinos, and Europeans. Illegal immigrants are mostly low-skilled, earn low wages, and are mainly Latino. Immigrants, both legal and illegal, do share one trait, however: They gain economically by migrating to America. Legal immigrants, on average, earn $16,000 more per year in the United States than they would in their home countries—a $300,000 lifetime bonus. The undocumented also earn more in the United States than back home, which is why they risk so much to come.

Some contend that, because of a common border, the prevalence of the Spanish language, or an unwillingness to assimilate, U.S.-born children and grandchildren of Latino immigrants have not enjoyed the spectacular generational advances achieved by
descendants of earlier European immigrants. That is not true. Education advances of Latinos across generations have been larger than for Europeans. The successes of previous immigrant generations, however, happened largely because America’s public schools did an excellent job of educating both immigrant children and their native-born classmates. If the schools are not working as well for today’s children of immigrants—and there are ample reasons for concern—then the successes of future generations are being imperiled.

What about benefits to native-born Americans? Immigrants, legal and illegal, bring benefits to the U.S. economy of more than $10 billion per year, not a small bit of change but small relative to the national economy. These benefits accrue because immigrants, legal and illegal, keep wages lower than they otherwise would be. If immigration does not depress wages, prices cannot fall, leaving no economic benefit. Even though all Americans benefit on average, remember that not everyone gains.

What about taxpayer effects? The effects of immigration on taxes are generally positive at the federal level, but they are negative at the state and local levels in places where there are lots of low-skilled immigrants. When combining the taxpayer effects across all levels of government, there is still a positive overall taxpayer effect of legal immigrants whose incomes are high. In contrast, the combined taxpayer effect is typically negative for illegal immigrants, largely due to school financing and their low incomes. According to a 1997 National Academy of Science study I led, native-born taxpayers in California paid $1,178 more in taxes than they received in benefits because immigrants received more in benefits than they paid in taxes. These California numbers are surely higher today. Health care costs are not an important part of the equation, primarily because immigrants are healthier than their American-born counterparts.

Largely because of the different taxpayer effects, the economic argument favors high-skilled legal immigrants compared with low-skilled undocumented immigrants. Adherence to the principle that America is a nation of laws reinforces the argument in favor of legal immigrants.

The policy dilemma, however, is that we in America are in the midst of a muddle, with 12 million or more undocumented immigrants already here, many for some time. They are now our neighbors and friends, and, to be honest, we have been complicit in their staying. Is there a way out of our dilemma? I think there is: a simultaneous combination of a pathway to citizenship for most undocumented immigrants already here and a serious commitment to enforce the law without ambiguity in the future so that any additional undocumented migrants must leave immediately. To unite us as Americans, we must agree to both parts of this bargain at the beginning of a new American immigration policy.
Energy Options

Keith Crane on renewable fuels, oil shale, and a tax on crude oil

Keith Crane directs RAND’s Environment, Energy, and Economic Development program.

President Obama has championed an “all-of-the-above strategy” to develop every available source of American energy “while making sure we never have to choose between protecting our environment and strengthening our economy.” His administration takes credit for having created hundreds of thousands of U.S. jobs in the clean energy industry while also raising oil production to an eight-year high, leaving the country “less reliant on foreign oil than at any time in the last 16 years.” The administration has also raised the fuel efficiency standards for cars and light trucks. Higher production of oil and less consumption of gasoline have reduced U.S. reliance on imported oil from 60 percent of consumption to 40 percent over the past several years. The administration has also overseen a sharp increase in natural gas production in the United States.

Governor Romney criticizes the Obama administration for blocking offshore drilling in some coastal regions, delaying a decision on the construction of the Keystone oil pipeline from Canada until after the election, pursuing environmental regulations that would “drive up energy prices while destroying jobs,” and “waging war against oil and coal” while spending money on alternative energy technologies. Romney’s energy proposals call for regulatory change (to accelerate “development of our domestic reserves of oil and natural gas and allow for further investment in nuclear power”), increased production of carbon-based fuels, and research and development. Governor Romney would not provide support for ventures in new energy technologies.

RAND has been on the forefront of studying the costs and technical feasibility of alternative and renewable fuels. One RAND study found that if the United States mandated that 25 percent of its electricity be generated from renewable energy, it could reduce total U.S. emissions of greenhouse gases by 11 percent. Although the costs of renewable energy remain higher than those for coal- or gas-fired electricity, the cost of such a mandate would be less than 0.25 percent of the U.S. gross domestic product. Wind, biomass (biological material), and geothermal are the cheapest sources of renewable energy; solar remains more expensive.

RAND has also studied the use of biomass to generate electricity. One study found no serious technical impediments to cofiring coal with biomass, in concentrations of up to 10 percent of the latter, in existing power plants. The greatest impediments to using biomass were found to be collection costs and the difficulty of ensuring steady supplies. Another study found that, in some instances, planting a crop such as switchgrass on land formerly used to grow other crops and dedicating the new crop to be used for energy can dramatically reduce emissions of greenhouse gases, compared with the continued use of coal. However, converting forestland to this type of use would contribute much less to reducing greenhouse gas emissions. Prior land use can make a big difference.

Governor Romney has stressed the exploitation of fossil fuels. RAND has investigated the prospects for commercial-scale

An Oil Tax Could Be Adjusted Automatically, Based on the Price of Oil per Barrel, to Fund All U.S. Federal Transportation Expenditures

![Graph showing the percentage of an oil tax needed to generate $83 billion per year at different oil prices.](image-url)
oil shale development in the United States and found them to be uncertain. On the one hand, the largest deposits of oil shale resources in the world are located primarily in western Colorado and eastern Utah. The potential yield is about triple the oil reserves of Saudi Arabia. On the other hand, the commercial leasing rules for oil shale, published by the U.S. Bureau of Land Management in 2008, are seriously deficient. They do not take into account the geographic concentration of the oil shale resource base or the fundamental uncertainties regarding the economic, environmental, and technical performance of oil shale production technologies.

The problem of managing federal oil shale lands is much akin to the problem of managing a major port. Both cases involve very high-value real estate that is geographically concentrated. Both cases require a large supporting infrastructure and a trained workforce. And in both cases, the public has a major stake.

In light of the difficult fiscal environment of the United States, RAND has also investigated the feasibility and implications of putting a tax on crude oil as an alternative to the existing federal gas tax used to pay for highways. This analysis found that taxing oil at the refinery or at import terminals would not be technically challenging. Such a tax could be adjusted on a quarterly basis, as oil prices rise or fall, to maintain a targeted revenue stream that would be set to cover the annual transportation expenditures appropriated by the U.S. Congress. Such a system would be tantamount to a national pay-as-you-go system whereby taxes would be set automatically to ensure that the appropriated expenditures would be covered. Such a tax would fall primarily on motorists, but oil exporters would also pay part of the tax because of lower U.S. demand, in effect shifting some of the tax burden to foreign producers.

Better Schools

V. Darleen Opfer on accountability and other reforms

Darleen Opfer, the director of RAND Education, holds RAND’s distinguished chair in education policy.

More than four years have passed since the originally scheduled reauthorization date of the Elementary and Secondary Education Act of 2001—more popularly known as the No Child Left Behind Act (NCLB). This year has seen a renewed push for reauthorization, but the U.S. House and Senate are still struggling over the specific amendments to include.

Both President Obama and Governor Romney have argued that while NCLB’s goals of holding schools accountable and shrinking the achievement gap are admirable, the law is in dire need of adjustment. In the absence of congressional reauthorization, the Obama administration has allowed states to apply for waivers to many NCLB requirements in exchange for agreeing to various conditions. His administration also created the Race to the Top competition, which has awarded grants to 21 states and the District of Columbia for promising to raise standards, improve data systems, link teacher evaluations to student learning, and turn struggling schools around.

In his own proposed adjustments to NCLB, Romney has called for improved school report cards that offer families better information about student learning—but without the prescribed sanctions for low-performing schools embedded in the current law or the set of school-turnaround approaches required by the Obama administration’s waivers. Similar to the current administration, Romney has proposed to offer states flexible block grants if they agree to eliminate or reform teacher tenure policies and to base teacher evaluations more closely on student performance.

Both Obama and Romney support charter schools and greater access to school choice. Romney has made choice the cornerstone of his education policy. He also supports voucher programs, which allow students to use public funds to attend private schools. Obama has used Race to the Top funding to reward states that loosen restrictions on their numbers of charter schools, but he has opposed using public funds for private school attendance.

A key question is how well aligned each platform is with education research. The answer is that both platforms appear to be largely based on existing evidence, with a few caveats.

In terms of standards and accountability, research points to the benefits of improved and expanded measures of school performance. RAND research suggests that Congress should broaden the range of NCLB student performance measures beyond multiple-choice tests in math and English to include more subjects. In addition, RAND research has recommended that states develop more tests of higher-thinking and problem-solving skills and that new measures in math and English align with the Common Core
State Standards. These are a set of standards that have been voluntarily adopted by 45 states, three territories, the District of Columbia, and the Department of Defense Education Activity schools.

Regarding school-turnaround approaches, RAND research has uncovered limited evidence of the effectiveness of particular turnaround models. Therefore, the candidates’ advocacy of giving states more flexibility in adopting such approaches seems warranted.

The efforts to tie teacher evaluations more closely to student performance reflect extensive research documenting the importance of teacher quality in raising student achievement and the difficulty of assessing teacher quality from background characteristics such as licensure, seniority, and educational level. However, RAND researchers and others have found that estimates of teacher effectiveness derived from student test scores, while important, are imprecise. Therefore, teacher evaluations should be based also on observations of classroom practices and other evidence of teacher contributions.

With regard to school choice, RAND’s research on the implementation of NCLB shows that few parents of students in schools identified as needing improvement have opted to move their children to better schools. This may simply reflect parents’ preferences to not change schools, though it is also the case that many districts have no schools available for transfer. The potential of expanded school choice depends, in part, on the availability of superior alternatives, suitable transportation for students, and clear communication to parents regarding their choices.

The evidence on charter school effectiveness is mixed. RAND studies suggest that charter schools, like traditional public schools, vary markedly in their effectiveness. Efforts by RAND and others to identify the qualities of effective charter schools point to increased instructional time, a strong emphasis on behavioral expectations, and a “no excuses” approach to academic improvement as keys.

Studies of school vouchers have shown mixed effects on student test scores but generally positive effects on graduation or college enrollment or both. However, RAND researchers have found that such voucher effects have been larger in developing nations than in the United States. Together, this domestic and international research suggests that the potential for vouchers to raise student achievement depends on a significant difference in quality between the public and private school options available to students. Where a significant difference is unavailable, the prospect for vouchers is limited.

### Estimates of teacher effectiveness derived from student test scores, while important, are imprecise. Teacher evaluations should be based also on observations of classroom practices and other evidence of teacher contributions.
Resurgence of al Qaeda

Seth G. Jones on the ongoing global threat

Seth Jones is a RAND senior political scientist.

President Obama often takes credit for having initially shifted the focus of America’s military efforts away from Iraq and toward defeating al Qaeda in Afghanistan and Pakistan. Under his watch, U.S. military and intelligence operatives killed Osama bin Laden in Pakistan, and the United States has orchestrated an intense drone campaign in Pakistan, killing many of al Qaeda’s senior leadership. But Obama has started to bring U.S. troops home from Afghanistan and indicated that U.S. combat operations there will end by 2014.

Governor Romney argues that the U.S. mission in Afghanistan has been jeopardized by establishing a timetable for withdrawal that, he contends, is against the advice of America’s top military commanders. Romney promises that, under his administration, withdrawal would be based on conditions on the ground as assessed by his commanders.

Even as they debate the appropriate U.S. military role in Afghanistan and Pakistan, the presidential candidates need to address the fact that al Qaeda has expanded its global presence. Since its establishment in 1988, al Qaeda’s strength has risen and fallen in a series of waves. Despite the death of Osama bin Laden, the Arab Spring has ushered in a fourth wave as al Qaeda has tried to push into North Africa and the Middle East.

One significant trend is the expansion of al Qaeda’s global network. The leaders of al Qaeda in the Arabian Peninsula, al Shabaab in Somalia, al Qaeda in Iraq, and al Qaeda in the Islamic Maghreb (in North Africa) have sworn bayat, or loyalty, to al Qaeda leader Ayman al-Zawahiri and provided him with funding, global influence, and a cadre of trained fighters. None of these affiliate organizations existed a decade ago. But, over the past several years, attacks by these affiliates have increased.

In Yemen, al Qaeda in the Arabian Peninsula has established control over some areas in the south as the central government faces a leadership crisis and multiple insurgencies. From this sanctuary, al Qaeda plots attacks against the U.S. homeland. In Somalia, militants of the al Qaeda affiliate al Shabaab are trying to expand their foothold. With a growing number of American citizens from cities such as Minneapolis and Phoenix traveling to—and from—Somalia to fight alongside al Shabaab, there is a possibility that radicalized operatives could perpetrate an attack in the United States.

Al Qaeda has also established relationships with a growing number of allied groups, such as the Tehreek-e-Taliban Pakistan, Pakistan’s Lashkar-e-Taiba, and Nigeria’s Boko Haram. While these are not formal affiliates of al Qaeda, a loose arrangement

Over the Past Several Years, al Qaeda Has Expanded Its Global Network
allows them to cooperate with al Qaeda for specific operations or training when their interests converge. Several of these groups have been actively recruiting in the United States.

Pakistan poses a particular challenge. As America’s relationship with Pakistan deteriorates, how long will the United States be able to pressure a state whose intelligence service has ties with some of al Qaeda’s allies, such as the Haqqani network and Lashkar-e-Taiba?

Despite the evidence that al Qaeda is regrouping, the Obama administration is turning its attention toward the Far East. The first tranche of U.S. Marines to be withdrawn from Afghanistan has already landed in Australia, as part of America’s most significant expansion in the Pacific since the end of the Vietnam War. The U.S. Department of Defense’s new strategic guidance, released in January with a forward by Obama, concludes that the United States will continue to conduct some counterterrorism but now “rebalance toward the Asian-Pacific region.”

Addressing U.S. interests in the Far East is important, but not if it means losing focus on America’s most pressing danger zone: the arc running from North Africa to the Middle East and South Asia that is the heart of al Qaeda’s territory. In Afghanistan and Pakistan, U.S. special operations and other combat forces will be needed to target militants and to train Afghan forces well after 2014. The same is true in Yemen, Somalia, and other countries across the region, where U.S. forces—especially clandestine special operations forces, intelligence units, and law enforcement—must play a long-term role in targeting al Qaeda and building local capacity.

The struggle against al Qaeda has persisted for over two decades, providing an opportunity to learn what has worked—and what has not. The historical evidence suggests that al Qaeda waves have tended to rise when the United States has deployed large numbers of conventional forces to Muslim countries, when al Qaeda has minimized civilian casualties, and when the United States has weak or incompetent allies in areas where al Qaeda has a support base.

### Addressing U.S. interests in the Far East is important, but not if it means losing focus on America’s most pressing danger zone.

Conversely, these waves have ebbed when the United States has utilized a “light footprint” strategy that focuses on intelligence and special operations forces, when al Qaeda has killed large numbers of civilians and thereby undermined its support, and when local governments have developed competent police and other security agencies.

As the fourth wave of al Qaeda surges into new areas of the greater Muslim world, it will become even more important for U.S. policymakers to remember the lessons learned and to continue applying them. If anything, they will need to be applied in more places and more often.

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### Stabilization of Iraq

**Larry Hanauer on lessons for Kirkuk**

President Obama asserts that he has fulfilled his 2008 campaign promise to end the war in Iraq and to bring U.S. soldiers home responsibly and safely. Governor Romney argues that Obama’s decision to pull out all U.S. troops from Iraq has endangered Iraq’s stability. No matter which candidate occupies the White House in January, the United States should make an effort to address Iraq’s most combustible hotspot: the northern Iraqi city of Kirkuk.

The uncertainty surrounding the ethnically mixed city’s political and legal status—that is, whether it should be incorporated into the semi-autonomous Kurdistan Region—contributes to divisive rhetoric and prevents Iraqi leaders from settling the major unresolved issues in Iraq: sectarian conflicts, territorial disputes, division of oil and gas revenues, and the power of the regions relative to Baghdad. In a worst-case scenario, tensions among Arabs, Kurds, and Turkomen in the Kurdistan Region could escalate into violence that draws Iraq back into civil war, leads the region to secede, and topples Iraq’s nascent political structures.

Kirkuk is not the first ethnically heterogeneous territory to be fought over by different communities. Throughout modern history, governments and ethno-sectarian groups have settled disputes over ethnically mixed cities, regions, and countries through negotiations that established new governance structures, instituted policies either promoting assimilation or guaranteeing communal autonomy, and defined relationships between the disputed territory and neighboring entities. Three earlier successes—in Northern Ireland and in the Bosnian cities of Mostar and Brčko—as well as the failure of Israelis and Palestinians to reach a settlement over Jerusalem point to steps that the Arab, Kurd, and Turkomen leaders, along with the United States and United Nations, could take to promote a peaceful resolution of Kirkuk’s status.

Previous settlements have involved separating local disputes from national politics, emphasizing practical governance over symbols of sovereignty, sharing political power, seeking proportional representation in government, protecting minority interests, addressing the impact of future demographic change, reducing interethnic tensions by ensuring that local security forces reflect the ethnic makeup of the population, empowering local leaders, and marginalizing nationalist spoilers who amplify ethnic tensions to consolidate their power. When these steps are taken, local tensions and territorial conflicts can be overcome. Moreover, the resolution of local problems can demonstrate that meaningful interethnic collaboration is possible and can provide “breathing space” for national officials to address related constitutional, political, and economic issues.
Consideration of “grand bargains” can encourage compromise by widening the range of issues over which compromises can be struck. But it can also be valuable to defer especially contentious issues that could derail an agreement, as long as mechanisms are put in place to ensure eventual resolutions. To prevent the emotionally laden issue of police reform from scuttling peace talks in Northern Ireland, for example, negotiators took the issue off the table by empowering an independent commission to recommend solutions.

Third parties have been crucial to the settlement of ethno-territorial conflicts, including in Iraq, where the United States has played the primary mediation role. In northern Iraq, both Iraqi and Kurdish security forces viewed the United States as the lynchpin of the tripartite Combined Security Mechanism, which fostered cooperation between rival forces and reduced tensions in the region. Given this record of U.S. engagement, and given that both Iraqi and Kurdish officials see the United States as a trusted third party, the United States would likely be the most effective neutral broker. Although the United Nations’ reputation in Iraq is poor, making a multinational peacekeeping operation an unlikely solution, UN representatives could still play some role in fostering better intercommunal relations.

The United States can take three significant and noncontroversial steps to move Iraqis toward a settlement. First, the U.S. Secretary of State should designate a special envoy for Kirkuk charged with facilitating discussions between Arab and Kurdish leaders, identifying potential compromises, and keeping the negotiating process moving. This senior-level envoy should report directly to the Secretary of State, as U.S. Embassy officials in Baghdad have too many other issues on their plates to devote sustained attention to Kirkuk at a sufficiently senior level to break the existing stalemate.

Second, U.S. officials should persuade Iraqi and Kurdish leaders to demilitarize Kirkuk and assign all security responsibilities to the multi-ethnic Kirkuk municipal police force. The United States and other countries could then provide extensive training to professionalize this force.

Third, the United States should promote the emergence of local civil society and political leaders as counterweights to national politicians who see Kirkuk as an element of broader political battles. Local civic groups and political parties that are independent of the major national organizations might be able to reach beyond ethnic constituencies and create dialogue on issues of interest to all Kirkuk residents—issues such as public services, jobs, and housing.

Local civic groups and political parties that are independent of the major national organizations might be able to reach beyond ethnic constituencies and create dialogue on issues of interest to all Kirkuk residents—issues such as public services, jobs, and housing.

U.S. diplomacy and targeted assistance could help simultaneously to broker agreements between Iraqi and Kurdish leaders and to mitigate local ethnic tensions in Kirkuk that could lead to violence. In this way, the U.S. president, regardless of political party, could make a meaningful contribution toward stabilizing Iraq without redeploying U.S. forces to the country.
Political Change in the Arab World

Laurel E. Miller on prospects for democratization

Laurel Miller is a RAND senior political scientist.

In his May 2011 speech on Middle East policy, President Obama offered economic aid to the post-revolution nations of Tunisia and Egypt and condemned the Syrian regime, noting the sanctions that had been imposed against it by the United States and the international community. He also strove to articulate a vision of U.S. values and policies in the region.

“There must be no doubt,” declared Obama, “that the United States of America welcomes change that advances self-determination and opportunity.” At the same time, he called for a sense of humility. “It’s not America that put people into the streets of Tunis or Cairo—it was the people themselves who launched these movements, and it’s the people themselves that must ultimately determine their outcome.”

Governor Romney says it would be the policy of his administration as well to support groups and governments that advance the values of representative government, economic opportunity, and human rights. He would also place U.S. diplomatic and assistance efforts in the Middle East under one regional director, with “unified budgetary and directive authority, and therefore real ability to create results.”

Romney concurs that the United States should recognize Syrian strongman Bashar al-Assad for what he is: “an unscrupulous dictator, a killer, and a proxy for Iran.” Romney agrees further with Obama that the United States should isolate and pressure the Assad regime by imposing sanctions that cut off funding sources that help the regime maintain its grip on power.

A RAND study of both the political changes underway in Arab countries and the transitions to democracy in every other region of the world since 1974 has culled lessons that could apply to Tunisia, Egypt, Libya, Yemen, and potentially Syria and other Arab states. One overarching note of caution emerges from this analysis of past transitions: Beware of rules of thumb regarding how political change will occur in the Arab world. Many countries have defied

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Supporters of presidential candidate Mohammed Morsi carry Egyptian and Muslim Brotherhood flags during a victory celebration in Tahrir Square in Cairo, Egypt, on June 18, 2012.
expectations, doubtless because democratization is a complex, multidimensional process.

Past experiences show that even transitions inspired or triggered by external events unfold in accordance with their own particular internal dynamics. Therefore, policy approaches should be individualized for each democratizing or potentially democratizing Arab country, depending on the internal conditions of each country in transition.

Policies should also take into account the long-term nature of democratization. In countries such as Libya and Yemen in particular, which have serious state-building challenges, this process could take many years. Public messages should therefore avoid any suggestion that the international community can reach into a toolkit to help speed transitions to democracy. But, taking the long view, there are no insurmountable obstacles to democracy taking root in the Arab world. Democracy has spread to extremely varied terrain around the world, including to places previously thought unsuited to it.

External actors will have only a limited influence on whether Arab countries do overcome the democratization challenges they face, however. Foreign aid in general has been shown to have no significant effect on democratization, although the relatively small portion of foreign aid directed specifically at building democratic institutions and processes has been shown to have modestly positive effects.

Foreign assistance to promote the consolidation of democracy in Arab states should therefore be carefully targeted. Support for building government accountability mechanisms should be a high priority. Such mechanisms can include independent media outlets, anticorruption and human rights monitoring groups, and organizations that provide civic education. Without decent governance, which requires accountability, democratic transitions remain tenuous.

Establishing civilian, democratic control of security institutions is another institutional reform that should be a focus of attention. In Egypt especially, easing the military out of its political role will be a crucial challenge. In multiple countries, reform of police institutions is also important because these are the security organs that interact most closely with the population and will strongly affect a public’s calculation of the extent to which democracy has brought real change.

With respect to offering tangible incentives and practical support for democratization, there is no parallel in the Arab world to the role that the European Union and, to a lesser extent, NATO played in encouraging the Southern and Eastern European transitions to democracy. That level and scope of carrots cannot be duplicated in the Arab world because of the lack of analogous integrative mechanisms and because of the costs.

Still, the international community should encourage the creation of structures in the Arab world, such as a regional organization of democracies, that could facilitate the delivery of institution-building assistance and reinforce democratization through moral suasion. Channeling Western assistance through such a regional organization could also be politically more palatable for some countries than bilateral assistance.

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**Peace with China, Through Deterrence**

James Dobbins and Roger Cliff on U.S.-China relations

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There is extensive overlap between the Obama and Romney positions on China. Both envision a larger U.S. military role in the Asia-Pacific region flanking China. Both condemn human rights abuses in China. And both advocate for economic cooperation with China as a means of reducing the likelihood of conflict with the world’s most populous nation.

On a ten-day tour of Asia last November, Obama announced plans to locate 2,500 U.S. Marines in Darwin, Australia, by 2016—troops that Beijing fears could be used, despite the great distance, to defend Taiwan. Obama outlined a new trade alliance, the Trans-Pacific Partnership, which would likely exclude China because of strict environmental and labor standards. At a summit of East Asian countries in Bali, Obama then pressed China’s Premier Wen Jiabao to discuss his country’s territorial claims to the South China Sea—claims disputed by the Philippines, Vietnam, Malaysia, and Brunei.

This year, the Obama administration ordered tariffs of 31 percent and higher on solar panels imported from China, alleging that Chinese solar panel manufacturers had “dumped” their goods—that is, sold them at below fair-market value. But the Obama administration has refrained from labeling China a currency manipulator.

According to Romney, “the United States must pursue policies designed to encourage Beijing to embark on a course that makes conflict less likely. China must be discouraged from attempting to intimidate or dominate neighboring states. If the present Chinese regime is permitted to establish itself as the preponderant power in the Western Pacific, it could close off large parts of the region to cooperative relations with the United States and the West and dim hope that economic opportunity and democratic freedom will continue to flourish across East Asia.”

Therefore, Romney would expand the U.S. naval presence in the Western Pacific and strengthen cooperation among countries that share a concern about China’s “growing power and increasing assertiveness.”

RAND research on China’s growing military and economic might has led to the following conclusions: Any military conflict between the United States and China would be disastrous for both sides, but such a conflict is unlikely so long as the United States retains the capacity to deter behavior that could lead to a clash. China will gradually achieve local military superiority, first around Taiwan and then at greater distances. But bolstering the defenses
of China’s neighbors could improve U.S. prospects for defense and deterrence while reducing the need for escalation.

China’s air force is one case in point. Just a decade ago, it was an antiquated service equipped almost exclusively with weapons based on 1950s-era Soviet designs and operated by personnel given dubious training in accordance with outdated employment concepts. Today, the People’s Liberation Army Air Force appears to be on its way to becoming a modern, highly capable air force for the 21st century. The People’s Liberation Army has also been investing in “anti-access” capabilities designed to slow the deployment of U.S. forces into the Western Pacific or prevent them from operating from certain locations within the theater.

The United States should take several steps in response to China’s growing military capabilities. Among these are protecting military information systems, increasing the number of missile defense systems, constructing concrete aircraft shelters, increasing rapid runway repair capabilities, strengthening defenses against commandos and saboteurs, and diversifying the basing options for U.S. military aircraft in the region. The Pentagon also needs to continue to develop new military capabilities, despite tightening defense budgets. Key areas for investment include improved defenses against ballistic and cruise missiles, improved antisubmarine warfare capabilities, improved minesweeping capabilities, long-range antiaircraft capabilities, and improved capabilities to strike targets defended by advanced surface-to-air missiles.

At the same time, the United States should draw China into cooperative security endeavors, not only to avoid the appearance of an anti-China coalition but also to obtain greater contributions to international security from the world’s second-strongest power. The collapse of North Korea, for example, could become an opportunity for U.S.-Chinese collaboration.

On balance, the economic interdependence between the two nations is itself a powerful source of deterrence, operating as a form of “mutual assured economic destruction.” The United States needs to maintain the strength of its economy, lest it find itself hobbled and thus even more deterred than is China by the prospect of severe economic damage arising from military conflict. ■

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