

Institute (a small-government think tank run by Arthur Brooks), points to a survey from 1958, in which respondents were first asked how often they could trust the federal government “to do what was right.” Seventy-three percent said “always” or “most of the time.” A Yankelovich poll found similar attitudes in 1964.

Twenty years later the percentage was down to 44 percent. Seymour Martin Lipset, in his book *American Exceptionalism*, reported that in 1964 only one out of three Americans thought his government served special interests rather than the public interest. Thirty years later the number was 80 percent, roughly where it is today in the CAP poll.

What happened between 1964 and 1994? Lots of things: war, scandal, booms and busts, Jimmy Carter. Also, in 1965, Lyndon Johnson and an eager Congress launched the raft of programs known as the Great Society, which forever expanded the region of national life in which the federal government felt free to muck around. No one has been able to shrink the sphere since, though voters seem to like politicians—Richard Nixon, Ronald Reagan, even George W. Bush—who promise to try, and for this reason, I suppose, liberal commentators have told us we’ve been living through an age of conservative dominance.

Now, in post-LBJ America, when a pollster asks adults whether they’d prefer a larger government with more services or a smaller government with fewer services, Americans have in almost every instance chosen the latter. The more tasks the government takes on the more likely it is to fail, and for citizens to see it as a failure. As the government changed, so did the public’s attitude toward it.

So we’re all libertarians, then—good American-style conservatives, the unEuropeans? Well, no. The poll numbers are too muddled to say that, or much of anything. CAP’s picture of a public hungry for government is confirmed in a 2006 Fox News poll. It asked whether people would rather pay higher taxes to increase spending for a variety of programs—or cut their

funding and leave taxes as they were. Large majorities said they’d rather pay more in taxes than cut funding for eight of the nine programs listed. Two years later, in a poll by the National Opinion Research Center, similar majorities said the government was spending too little on education, the environment, health care, cops, even drug treatment programs—everything but culture and the arts.

In his great book, Lipset conceded these contradictions as inevitable artifacts of polling in a country where people are expected to have considered opinions even when they don’t. But he didn’t think the confusion undercut the idea that Americans are different from their counterparts in the social democracies of Europe.

“Given their anger about politics in the United States,” Lipset wondered, “what accounts for the continued stability of the American system?”

He answered by pointing to another instance of American exceptionalism: the unbending belief that Americans had in their future. “The American dream is still alive, even if the government and other institutions are seen as corrupt and inefficient.” He wrote that in 1996. And—polls show!—it is still true, even with distrust in government greater than it was then. Karlyn Bowman cites a recent Pew poll. Sixty-four percent of the population thinks the future is bright for themselves and their families. Sixty-one percent are optimistic about the future of the United States. Americans continue to believe, over all, that they will be better off tomorrow than they are today.

Their lack of faith in government, in other words, is not reflected in a lack of faith in their country—probably because, unlike some people I could name, they know the difference between the two. ♦

Our Predatory Trading Partners

How Russia and China take advantage.

BY IRWIN M. STELZER

America runs large and persistent trade deficits. Our partners figure out how to make lots of things we want, and we can’t figure out how to produce an equal amount of stuff they want—or are permitted by their governments to buy.

So it is good news that at last American industry has something the Chinese want to buy. Well, not buy exactly. “Extract,” or “appropriate” would be better words, “steal” being a bit harsh. Their Russian counter-

parts also want a piece of this particular action. It seems that U.S. technology is something that neither of these trading partners can duplicate without the help of our government—which has to issue export licenses for militarily sensitive items—or of our CEOs in Silicon Valley.

The American business community has long been in the forefront of the lobbying effort to prevent retaliation against China for its currency manipulation and its subtle and not-so-subtle barriers to imports. In return for access to China, big business was expected to plead the regime’s case whenever an issue arose that might put a strain on U.S.-Chinese relations. In a sense, big U.S. firms became lob-

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byists for the Chinese government, their fee being access to China's markets and its low-paid workforce.

After all, a huge market beckoned as China's masses got richer. Take General Motors, the car company owned by the U.S. government, and not exactly a roaring success in its home market. Sales to China's cash-rich consumers increased by almost 50 percent in the first half of this year, compared with the same period in 2009, and now account for a quarter of the company's global sales. Surely, that points the way for other companies.

Well, not exactly. It seems that China, its vaults overflowing with dollars, has no need for investment from the United States unless it brings something more than mere dollars. And with its membership in the World Trade Organization secured in 2001 by a spate of market liberalization policies, China has no further need to pander to the free trade inclinations of the West with still more liberalization. So bare-knuckled protectionism is now the order of the day.

China's \$500 billion government procurement market has been all but closed to foreign suppliers, despite its promise to sign on to the WTO's Government Procurement Agreement "as soon as possible" when it joined the WTO almost ten years ago. China now thinks another five years, and the opening of one-fifth of its procurement market might be reasonable. Meanwhile, government agencies and state-owned enterprises buy only products that incorporate indigenous Chinese technology.

But that's the least of the problems America's executives and former spokesmen for China's interests face. It seems that they are not being allowed to build plants in China unless they turn over the associated technology. Worse still, the regime is subsidizing the construction of plants by domestic companies intent on capturing market share from the Americans. General Electric, which once predicted that its sales in China would hit \$10 billion this year, is having to settle for \$6 billion, as heavily

subsidized Chinese companies wrest not only domestic customers from it, but customers throughout Asia, especially in the manufacture and sale of wind power equipment—the stuff that President Obama says is so crucial to the new age of American green manufacturing.

Foreign manufacturers' share of China's wind turbine market has fallen from 71 percent to 14 percent in just five years, according to *Bloomberg Businessweek*. Jeffrey Immelt, the CEO of GE, regards the issue as so serious that he has moved from friend to private critic of China, if reports of his dinner conversation are to be believed. Too little and too late: He has to protect his investment in that country, can't tell his restive shareholders (who continue to mourn the retirement of Jack Welch) that he has misread the market, and China anyhow has moved from attracting foreign investment to developing national champions.

Then there is the question of intellectual property rights, which the Chinese authorities are not inclined to

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NY TIMES, JUNE 2010

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respect. They want American technology, especially “core software,” and if they cannot bludgeon U.S. firms into making it available, they will simply take it. Which is easy enough. As the *Financial Times* points out, “Even when paper commitments exist, such as China’s pledge to respect intellectual property rights, the country frequently lacks mechanisms—such as informed, neutral courts—needed to implement them.” Confident in his country’s rising economic power, vice premier Wang Qishan told a group of European businessmen after hearing their complaints, “You are going to invest [in China] anyway.”

And so it seems they are: Foreign investment continues to pour into China, despite last week’s report by the U.S. Chamber of Commerce pointing out the danger to the American economy of China’s rise to a technology superpower in the next decade or so. China’s “indigenous innovation policy,” says the report, is forcing U.S. technology companies “to anguish over balancing today’s profits with tomorrow’s survival.” So far, today’s profits are receiving pride of place.

It may well be that the Chinese have decided that they no longer need American business executives as spokesmen in Washington. These quasi-lobbyists can be replaced with the powerful farm bloc. American farmers’ annual sales to China now total \$14 billion, and the United States is running a \$1 billion *monthly* trade surplus with China in the market for agricultural products such as soybeans, cotton, and animal feed. It is not unreasonable to expect that farm-state senators will have a friendlier attitude towards the nation that is enriching their constituents than, say, those from our sclerotic industrial heartland.

Russia is taking a slightly different path to the same destination. On his recent visit, President Dmitry Medvedev not only shared cheeseburgers in Arlington with President Obama (anti-obesity czar Mrs. Obama was nowhere to be seen) but

dangled before the rulers of Silicon Valley the prospect of huge sales in Russia. Bring us your technology, he told the bosses of our leading high-tech firms, and we will welcome you to our country—the land of Mikhail Khodorkovsky (anyone remember Yukos Oil?) and others who have watched as the Russian state snatched the fruits of their labor—either by imposing large, retroactive tax bills or by transferring ownership to friends of Vladimir Putin.

This is a country whose *de facto* ruler, Putin, was pictured in the *New York Times* looking sternly across the desk of Vitaly Savelyev, the CEO of Aeroflot, rebuking the executive for

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buying aircraft from Western companies. “That won’t do,” Putin told Savelyev, who presumably can guess what a firm stare and such an admonition from the former KGB officer means. “There was nothing artificial about the message. . . . Russian airlines will be under pressure to buy Russian jets,” reported the *Times*.

Not good news for U.S. and European manufacturers. Or for our military. Sukhoi, the state-created aircraft manufacturer best known for its fighter jets, needs large orders from Aeroflot to increase the viability of its commercial sector, which can then give support to the military end of the business. But this restatement of Russia’s protectionist policies has not deterred Obama from reaffirming his determination to have Russia admitted to the WTO, after President Medvedev promised

to end Russia’s ban on the import of American chickens.

So the U.S. trade agenda looks something like this. Led by Cisco, Silicon Valley entrepreneurs have agreed to pour billions in high-tech investment into Russia to reduce its dependence on commodities exports, and to help bring its industries, and presumably its military, up to modern standards. Medvedev is planning an innovation hub at Skolkovo, outside of Moscow, to house laboratories, manufacturing facilities, and apartments for engineers, programmers, and the like. Our entrepreneurs will help. Esther Dyson, chairman of EDventure Holdings and well regarded in high-tech circles, says, “There is a huge amount of creativity in Russia. . . . It’s simply not channeled and disciplined.” Putin in particular will savor the notion of disciplined creativity.

Meanwhile, President Obama will help Russia gain entry into the WTO. In return, Russia will import more chickens, but definitely not more aircraft. And it has plans afoot to pour \$320 million into subsidies for its wheat farmers, who are taking their share from America in world markets, thanks to the efficiencies produced by the replacement of Russian tractors with American-made machines, according to Kirill Podolsky, CEO of a major Russian wheat exporter.

Trade, in short, is now a matter of national strategy as much as of economics. China and Russia know this. They want American technology for reasons other than improving their trade balances. They want membership in the WTO, which China is already using to its advantage without regard to the reciprocal behavior expected of all members. Russia wants to duplicate that feat while at the same time making sure that the state maintains control of industries it deems of strategic importance.

Lenin, who once said that the capitalists will sell us the rope with which we will hang them, must be smiling up at his successors. While Obama presses hard on his reset button. ♦