
September 2022

United States of America as the Global Steward

Grant Fuller
Liberty University

Follow this and additional works at: <https://digitalcommons.liberty.edu/jspp>



Part of the [Agriculture Law Commons](#), [International Business Commons](#), and the [Taxation Commons](#)

Recommended Citation

Fuller, Grant (2022) "United States of America as the Global Steward," *Liberty University Journal of Statesmanship & Public Policy*. Vol. 3: Iss. 2, Article 6.

Available at: <https://digitalcommons.liberty.edu/jspp/vol3/iss2/6>

This Research Article is brought to you for free and open access by the Helms School of Government at Scholars Crossing. It has been accepted for inclusion in Liberty University Journal of Statesmanship & Public Policy by an authorized editor of Scholars Crossing. For more information, please contact scholarlycommunications@liberty.edu.

Introduction

Maintaining the United States' international status will require the country to be at the helm as the global steward and a renewed stance on various actions. Globalism can produce positive outcomes; however, it must be balanced with prudence. While the globe is connected through many agreements between a variety of parties, often one leader emerges. According to Jacoby, author of the book *Trump, trade, and the end of globalization*, "globalization can stay alive, but it could be under the stewardship of a new superpower."¹ The most frequently suggested steward of the future world is China. Trusting China and the influence they wield can be disastrous. According to James Carafano, a leading expert in national security and foreign policy, the way China treats its own people should reflect how it will treat others.² To remain its global leadership, the United States must adopt a strategy to counter Chinese influence, balance protectionist policies with international policies, and make decisions that keep the U.S. dollar and economy stable.

Exigence on Threat of China

On December 3, 2020, shortly before leaving office, John Ratcliffe, former United States Director of National Intelligence, stated that China is the number one threat to U.S. national security.³ This claim is substantiated by the fact that as Director of National Intelligence, Ratcliffe was entrusted with more intelligence than any other government member other than the president. Ratcliffe urgently states, "If I could communicate one thing to the American people from this unique vantage point, it is that the People's Republic of China poses the greatest threat to America today, and the greatest threat to democracy and freedom world-wide since World War 2."⁴ Ratcliffe characterizes China as, "This is our once-in-a-generation challenge."⁵ Ratcliffe identifies Chinese actions which fit into a contemporary national security strategy that suggests traditional methods alone are insufficient, and rather extends offensively into the domains of political security, economic security, cultural security, and information security of target nations.⁶

Establishing Chinese Threat Domestically

China operates domestically inside the United States. According to Former Secretary of State Mike Pompeo, China was orchestrating one of the largest spy rings inside the United States which led to the decision to order China to close its consulate in Houston, Texas, during the Trump presidency.⁷ According to Ratcliffe, "Three scientists were ousted in 2019 from MD

¹ David Jacoby, *Trump, Trade, and the End of Globalization* (Santa Barbara, California: Praeger, 2018), 80.

² James Carafano, "Protecting the Homeland: U.S. National Defense in a New Age with Dr. James Carafano" (lecture at Liberty University, Lynchburg, VA, January 25, 2022).

³ John Ratcliffe, "China is National Security Threat No. 1," *Wall Street Journal*, December 3, 2020.

⁴ Ibid.

⁵ Ibid.

⁶ Qiao L., & Wang X. *Unrestricted Warfare*, (Beijing: PLA Literature and Arts Publishing House, February 1999) 118.

⁷ Mike Pompeo, "Freedom Uncensored" (lecture at Liberty University, Lynchburg, VA, November 12, 2021).

Anderson Cancer Center in Houston over concerns about China's theft of cancer research."⁸ China frequently steals research and development secrets, and as of December 3, 2020, the U.S. government estimated that \$500 billion a year is lost because of China's intellectual property theft.⁹ China frequently employs subject matter experts from all over the world to share, develop, and steal intellectual property for them. According to Ratcliffe, China allegedly paid the head of Harvard's Chemistry Department \$50,000 a month to steal information.¹⁰ China's cumulative theft is reflected in China's research and development (R&D) expenses. As of 2018, U.S. companies spent an average of 2.2% of revenue on R&D, while the world average, including Chinese companies, is 2.5%.¹¹ China simply piggybacks off the hard work of others, and therefore their average company, as of 2018, spent merely 0.8% of revenues on R&D.¹² The intellectual property theft China conducts is detrimental to the U.S. economy and lowers the integrity of U.S. law by providing subject matter experts huge incentives to break the law.

Actions taken by China domestically besides espionage and theft also include extortion. China is targeting members of Congress six times more frequently than Russia, and 12 times more frequently than Iran.¹³ The media never discusses this, despite reporting on Russian interference in the 2016 election. Chinese-owned firms in the U.S. conduct this kind of influence through extortion to be described.¹⁴ According to Ratcliffe, a representative of the Chinese firm will approach a plant's union leader and explain that the local member of Congress is taking a hardline position on legislation against Beijing.¹⁵ Next, the representative will instruct the union leader to urge the local member of Congress to change positions or the plant and all its jobs will be gone.¹⁶ Ratcliffe states, "Our intelligence shows that Beijing regularly directs this type of influence operation in the U.S."¹⁷ This not only threatens the integrity of the U.S. political system, but also puts the wellbeing and livelihood of Americans in the hands of China.

China is aggressively asserting itself through the acquisition of US-based companies. This is alarming due to the influence it will give China. In reference to the year 2012, a Wall Street Journal article states, "Last year, Chinese buyers agreed to spend \$11.57 billion in 49 deals to acquire U.S. companies or stakes in U.S. firms."¹⁸ The 2012 figure of volume was higher than the total from 2009 through 2011 combined.¹⁹ The coupled economies of the U.S. and China, bring some benefits to Americans. However, it is becoming clearer that these benefits come with Chinese influence.

A counterproductive occurrence to the issues John Ratcliffe illuminate is that U.S. government officials approve Chinese purchases of American companies. An example of a Chinese business with a unionized workforce in the US, which Ratcliffe highlighted as being particularly prone to Chinese influence, is the 2013 purchase of Smithfield Foods by Shuanghui,

⁸ Ratcliffe, "China is National Security Threat No. 1."

⁹ Ibid.

¹⁰ Ibid.

¹¹ Jacoby, *Trump, Trade, and the End of Globalization*, 98.

¹² Ibid.

¹³ Ratcliffe, "China is National Security Threat No. 1."

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Dana Mattioli, Dana Cimilluca, David Kesmodel, "China Makes Biggest U.S. Play," Wall Street Journal, May 30, 2013

¹⁹ Ibid.

China's largest meat processor.²⁰ The deal valued Smithfield at \$7.1 billion.²¹ According to Senator Debbie Stabenow, this deal represented a 30% premium and a 25% stake in the U.S. pork industry at the time of purchase.²² Shuanghui made the purchase with a loan approved in a single day for \$4 billion from the Bank of China.²³ According to Nathan Halverson of the Center for Investigative Reporting, the United States Treasury Department approved the deal through a special committee that meets behind closed doors, with the final report on the matter classified.²⁴ Given that the deal's details are not publicly available, there has been debate about the Chinese government's direct involvement in the deal. However, according to Daniel Slane, a congressional advisor who received classified China briefings from the CIA, the Chinese government instructed their domestic companies to acquire companies in the same industries.²⁵ This idea is elaborated on by reporter and producer Nathan Halverson, stating that the Chinese government issued a five-year plan directing food companies to obtain more meat for their production lines by purchasing overseas businesses.²⁶ China had many incentives for the purchase, and some included coveted technology. According to Chen et al., faculty from the University of Virginia school of business, concern was raised by U.S. politicians about the deal.²⁷ Chen et al. state how, "China needed Smithfield's technology to improve its patchy record on food safety, and ShuangHui could take the technology to China and increase domestic production."²⁸ Utilizing Smithfield's technology consequently would reduce the need to import U.S. pork.²⁹ Given these assertions, and the fact that the Bank of China approved the loan without delay, the idea of Chinese government involvement in the Smithfield acquisition is likely. The Smithfield acquisition is an empirical example of China working to vertically integrate its supply chain, become less reliant on foreign suppliers, and exercise protectionism.

Another recent example of Chinese influence on U.S. firms is BlackRock and MSCI Inc.³⁰ Blackrock is often regarded as one of the largest asset management companies.³¹ According to Wei et al. from the Wall Street Journal, "BlackRock was influential in some controversial initiatives championed by Chinese leadership."³² MSCI Inc., a leading American investment decision company, was considering whether to include some Chinese shares in its indices. Institutional investors were initially apprehensive for various, valid reasons. However, the Chinese government and BlackRock lobbied heavily for the inclusion.³³ MSCI initially took consideration seriously, however, China exercised leverage. According to Mike Bird, author

²⁰ Mattioli, Cimilluca, and Kesmodel, "China Makes Biggest U.S. Play."

²¹ Ibid.

²² PBS NewsHour, "Who's behind the Chinese takeover of the world's biggest pork producer?" September 12, 2014, <https://www.pbs.org/newshour/show/whos-behind-chinese-takeover-worlds-biggest-pork-producer>.

²³ Ibid.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ming-Jer Chen et al., "The Smithfield Acquisition: Shuanghui Buys the Whole Hog," UVA Darden, August 13, 2019, <https://ideas.darden.virginia.edu/the-smithfield-acquisition>.

²⁸ Ibid.

²⁹ Ibid.

³⁰ Ibid.

³¹ Rebecca Ungarino, "Here are 9 fascinating facts to know about BlackRock, the world's largest asset manager," *Business Insider*, March 10, 2022, <https://www.businessinsider.com/what-to-know-about-blackrock-larry-fink-biden-cabinet-facts-2020-12?op=1>.

³² Wei et al., "China Has One Powerful Friend Left in the U.S.: Wall Street," *Wall Street Journal*, December 2, 2020.

³³ Ibid.

from the Wall Street Journal, “China’s two national stock exchanges also threatened to withdraw MSCI’s access to market pricing data, which the company provided to its customers all over the world.”³⁴ China’s influence was effective. Shortly after the threat, in June 2017, MSCI decided to include more than 200 domestic Chinese stocks in the emerging-markets index.³⁵ Mike Bird reflects the sentiment of Chinese influence by stating how there are questions over the independence of MSCI.³⁶ MSCI’s power of its indices is huge given the phenomenon of passive investing.³⁷ Most investors utilize index funds, and MSCI drives the decision-making of these index funds and, therefore, investors. This move to include Chinese stocks in its indices likely will continue to bring a lot of equity to Chinese firms. The instances of threatening to remove access to data, and Chinese and BlackRock’s leverage in this scenario, are yet another type of influence that the aggregate force of Chinese entities can wield.

Free markets will continue to take advantage of China as long as it is beneficial. For U.S. companies, the incentive to work with China is extremely present, and an issue that needs to be addressed. According to Chen et al., after the Smithfield acquisition, ShuangHui kept its promises by increasing capital spending at Smithfield by 24%, paying down Smithfield’s debt, gaining a superior credit rating from Moody’s, and overall led to 1,000 more jobs added in Virginia post-acquisition.³⁸ As for American competitors in the pork industry, they are effectively competing not with a Chinese company, but rather the Chinese government.³⁹ There are many examples of the benefits that come with tapping the Chinese markets. Another example is the American technology company Qualcomm. According to their most recent 10-K filing:

“We derive a significant portion of our revenues from Chinese OEMs, and from non-Chinese OEMs that utilize our integrated circuit products in their devices and sell those devices into China, which has the largest number of smartphone users in the world. We also source certain critical integrated circuit products from suppliers in China.”⁴⁰

China’s markets are large, especially for crucial industries like technology. This is also an example of U.S. supply chains dependent on Chinese manufacturing.

One specific and concerning industry China has focused on is American farming. Senator Debbie Stabenow, head of the Senate Agriculture Committee, states, “food is a strategic resource that should be as important to the U.S. government as oil.”⁴¹ According to Politico journalist Ryan McCrimmon, “The push to drain China’s influence from the U.S. economy has reached America’s farm country, as congressional lawmakers from both parties are looking at measures to crack down on foreign purchases of prime agricultural real estate.”⁴² America’s food supply is increasingly being outsourced, not necessarily outside the US, but simply by pushing the burden

³⁴ Mike Bird, “How China Pressured MSCI to Add Its Market to Major Benchmark,” *Wall Street Journal*, February 3, 2019.

³⁵ *Ibid.*

³⁶ *Ibid.*

³⁷ *Ibid.*

³⁸ Ming-Jer Chen et al., “The Smithfield Acquisition: Shuanghui Buys the Whole Hog,” *UVA Darden*, August 13, 2019, <https://ideas.darden.virginia.edu/the-smithfield-acquisition>.

³⁹ PBS NewsHour, “Who’s behind the Chinese takeover of the world’s biggest pork producer?”

⁴⁰ Securities and Exchange Commission, “10-K,” November 3, 2021, https://www.sec.gov/cgi-bin/viewer?action=view&cik=804328&accession_number=0001728949-21-000076&xbrl_type=v.

⁴¹ PBS NewsHour, “Who’s behind the Chinese takeover of the world’s biggest pork producer?”

⁴² Ryan McCrimmon, “China is buying up American farms. Washington wants to crack down,” *Politico*, July 19, 2021, <https://www.politico.com/news/2021/07/19/china-buying-us-farms-foreign-purchase-499893>.

to others. In 1900, nearly 40% of the U.S. population lived on farms, by 2000, that percentage dropped to less than 2%.⁴³ “Scholars have documented increasing ownership of land by financial investors, such as farmland investment firms and farmer/investor hybrid models, who are motivated by the prospect of capital gains from rising land prices and the steady income provided through leases.”⁴⁴ The small amount of people with the remaining burden to take care of such a vital resource need to be protected and freed of Chinese influence. Of course, there is opposition, or at least concern, over the idea of restricting Chinese owned farmland. Representative Grace Meng (D-N.Y.) makes the point that if we restrict Chinese buyers, we must restrict all foreign buyers, so we prevent perpetuating anti-Asian hate.⁴⁵

Policy Recommendation

Chinese foreign direct investment in the United States should be either eliminated or put under intense scrutiny prior to being undertaken. There is no reason the United States should be worried about Chinese influence conducted through American businesses when government officials can cease foreign direct investments from China. Clandestine influence will most likely still occur; however, the U.S. must stop what it can. While Chinese business can prove to be very lucrative for U.S. partners, the U.S. needs to develop more protectionist policies and foster alternative international relationships to help these businesses, so they do not get so enticed by Chinese money. Some may point out that protectionist policies will most likely increase consumer prices. It should be considered whether the vastness of material items Chinese manufacturing provides at such a low price are worth the consequences. In addition, if domestic manufacturing does not pick up, in the event of an international conflict with China, consumers will not have the option to buy cheaper, they will just have no options altogether. Decoupling of American and Chinese economies should be practiced at least until the U.S. can source vital resources domestically or with trusted partners.

China has Conquered Protectionist Globalism

China does not allow foreign influence on its economy the way the U.S. does, and they value protectionism. According to The Wiley-Blackwell Encyclopedia of Globalization, protectionism refers to, “the principles and practices that restrict the entry of imported commodities into the local market in order to shield domestic industries from foreign competition.”⁴⁶ According to William Burns, a career diplomat and the Director of the CIA under President Biden, China has enjoyed a protectionist trade advantage long after their “developing country” rationale failed.⁴⁷ In a Wall Street Journal article, Lester Ross, a Beijing-based lawyer at WilmerHale who advises American firms operating in China, states, “China shows no intention of letting foreign competitors dominate even though it is letting more firms in.”⁴⁸ According to Belke and Gros, authors from the *Journal of Economics and Finance*, one

43 Megan Horst, “Changes in Farmland Ownership in Oregon, USA,” *Land* 8, no. 3 (2019).

44 Ibid.

45 McCrimmon, “China is buying up American Farms.”

46 “Protectionism,” *Credo Reference*, n.d.

47 William Burns, *The Back Channel* (New York: Penguin Random House LLC, 2019), 397.

48 Wei et al., “China Has One Powerful Friend Left.”

reason for the recent global slowdown of trade is that China is more vertically integrated.⁴⁹ According to Jess Liss, author from the journal titled the *Review of International Political Economy*, “within the last five years, U.S. business associations have become aghast at China’s increased reliance on industrial policy while closing their domestic markets to foreigners.”⁵⁰ China is producing more components of its supply chain domestically, while becoming the world’s largest exporter in 2010.⁵¹

The United States Needs to Engage in Protectionist Globalism

For national security reasons, the United States needs to become more self-reliant. When discussing supply chains, former CIA Deputy Director for Science and Technology Dawn Meyerriecks states, “we, for various reasons, let our capabilities move offshore, perhaps to places we can’t rely on, if push comes to shove, and perhaps that wasn’t the best strategy.”⁵² Many staple American goods are manufactured in China. The United States is not just dependent on China for finished goods, but raw materials for production, such as important minerals. According to authors from the journal titled *Proceedings of the National Academy of Sciences*, “The United States is now heavily dependent on foreign resources (many of which come from China) for its manufacturing industries.”⁵³ Besides trade wars, and national security concerns, China is becoming less of a source for these materials anyway due to the fact they are consuming increasing proportions of their own minerals they produce.⁵⁴ According to Yanzhong Huang, author from the Council on Foreign Relations, “80 percent of the active pharmaceutical ingredients (APIs) used to make drugs in the United States are said to come from China and other countries like India.”⁵⁵ Yanzhong went on to explain how China curbed, “its exports of raw materials for vitamins and antibiotics as a countermeasure in the trade war with the United States.”⁵⁶ The tradeoff of markets being too reliant on global trade are substantiated by Jess Liss, author from the *Review of International Political Economy* by stating, “The dependence of a country’s economy on the international markets may become a liability in the situation of an intensive conflict or a war of aggression like the one waged against Ukraine by Russia since 2014.”⁵⁷

The advocacy for protectionist globalism is not a new idea. “Alexander Hamilton was the first U.S. Treasury Secretary, and he was not a proponent of free trade, rather, he advocated for strategic trade and industrial policy to develop globally competitive U.S. industries.”⁵⁸ The US-China Business Council (USCBC) and Coalition for a Prosperous America (CPA) frequently

⁴⁹ Ansgar Belke and Danielle Gros, “The slowdown in trade: End of the “globalisation hype” and a return to normal?” *Journal of Economics and Finance* 45, no. 2 (2021): 226.

⁵⁰ Jesse Liss, “Globalization as ideology: China’s effects on organizational advocacy and relations among U.S. trade policy stakeholder groups,” *Review of International Political Economy* 28, no. 4 (2020).

⁵¹ CIA, “World Factbook,” <https://www.cia.gov/the-world-factbook/countries/china/#economy>.

⁵² Dawn Meyerriecks, interview by *Intelligence Matters* podcast, January 26, 2022

⁵³ Andrew L. Gulley, Nedal T. Nassar, & Sean Xun, “China, the United States, and competition for resources that enable emerging technologies,” *Proceedings of the National Academy of Sciences* 115, no. 16 (2018).

⁵⁴ Gulley, “China, the United States.”

⁵⁵ Yanzhong Huang, “U.S. Dependence on Pharmaceutical Products From China,” *Council on Foreign Relations*, August 14, 2019, <https://www.cfr.org/blog/us-dependence-pharmaceutical-products-china>.

⁵⁶ Huang, “U.S. Dependence.”

⁵⁷ Anton Oleinik, “Open Economy or Protectionism: Ukraine’s Dilemma,” *Montenegrin Journal of Economics* 14, no. 3 (2018): 115.

⁵⁸ Liss, “Globalization.”

oppose each other in trade policy, as the USCBC represents hundreds of U.S. multinational corporations operating in China, and the CPA represents domestic manufacturers. Increasingly, despite their seemingly incongruent parties, the CPA and USCBC alike, have been advocating for Alexander Hamilton policy on trade with China.⁵⁹ Parties in the U.S. are calling for an industrial strategy with American characteristics and even the inclusion of public investments.⁶⁰

Concerning foreign policy and diplomacy, globalism provides opportunities for non-violent de-escalation, and incentives to work together. The more economies are intertwined, the more leverage can be exercised through non-violent measures. Therefore, it is important that the United States, to a certain degree, remain engaged in foreign economic affairs. According to Talley and Forrest, authors from the *Wall Street Journal*, “Past U.S. efforts to wage economic warfare have produced mixed results.”⁶¹ It has been noted that Iran and North Korea have adjusted to economic embargoes imposed due to their nuclear weapons programs.⁶² One of Porter’s Five Forces, a model that segments and analyzes five key forces that influence every industry, is the bargaining power of buyers. The U.S. is the world’s largest buyer, therefore offering the U.S. international power. Regarding the 2008 financial crisis, “As a result of U.S. imports declining, many economies have slipped into recession, which has further affected China’s exports.”⁶³ The results of reduced U.S. imports is empirical evidence of the power U.S. buyers have on international markets.

China has realized that it needs to internationalize its currency to achieve its goals. The U.S. has dominated in internationalizing its currency. According to the Mercator Institute for China Studies, a leading European think tank on China, “The U.S. dollar and the euro are massively dominant in global commerce, accounting in 2019 for more than three quarters of all global transactions, of which 42.5 percent were cleared in dollars and 36.2 percent in euros.”⁶⁴ Part of China’s strategy to extend the reach and use of its currency is to digitize it. Another goal this will help achieve is to sanction proof itself from the US. According to Karnfelt, from the Mercator Institute, “Fearing that U.S. financial sanctions against its banks and restrictions on access to the SWIFT global payments system are no longer unthinkable, Beijing is accelerating its efforts to internationalize its currency.”⁶⁵ At the 2022 Winter Olympics, China piloted its digital currency. Visa is supposed to be the sole payment service.⁶⁶ However since the digital currency is legal tender, it does not violate any terms on the Visa sponsorship.⁶⁷ The 2022 Winter Olympics is empirical proof that the Chinese digital currency can move to subordinate established, traditional American payment methods.

⁵⁹ Liss, “Globalization.”

⁶⁰ Ibid

⁶¹ Ian Talley & Brett Forrest, “Biden’s Sanctions Plan Targets Russian Banks, Companies and Imports if Ukraine Is Attacked” *Wall Street Journal*, January 28, 2022.

⁶² Talley & Forrest, “Biden’s Sanctions.”

⁶³ Qiangbing Chen, “Why China Should Invest Its Foreign Exchange Reserves in the Major U.S. Banks,” *China & World Economy* 17, no. 4 (2009) <https://doi.org/10.1111/j.1749-124X.2009.01155.x>

⁶⁴ Maximilian Karnfelt, “The digital Yuan will only lend a minor boost to internationalization of the currency,” *Mercator Institute for China Studies*, November 16, 2020, <https://merics.org/en/short-analysis/digital-yuan-will-only-lend-minor-boost-internationalization-currency>.

⁶⁵ Karnfelt, “The digital Yuan.”

⁶⁶ Jing Yang & AnnaMaria Andriotis, “At the Winter Olympics, Beijing’s Digital Yuan Push Puts Visa in a Bind” *Wall Street Journal*, February 9, 2022.

⁶⁷ Ibid.

Policy Recommendation

One strategy to maintain the United States' global position is to enhance its partnership with Mexico. This will counter China's power in exports therefore resulting in direct competition with China. In theory, this will bring China to a closer state of negotiation. This strategy also builds upon strengths of globalism by working with international partners. According to Wordliczek, competition between China and Mexico as economic partners is a favorable situation.⁶⁸ According to the United States Census Bureau, year-to-date November 2021 exports to Mexico were \$252.7 billion and merely \$137.7 billion to China.⁶⁹ On that same note, imports from Mexico were \$351.5 billion, while imports from China were a staggering \$456.8 billion.⁷⁰ The United States has much more balanced trade levels with Mexico, and therefore that is a relationship the U.S. should build on. Interestingly, purchasing power parity in China is so high partly due to inexpensive labor costs, however, "for several years, labor costs in China have been increasing and in some sectors are already higher than in Mexico."⁷¹ A large reason for trade with China is the inexpensive labor; however, it appears that labor may be less expensive in Mexico now. Mexico provides many opportunities as a strategic trading partner including, low transportation costs, common non-economic goals, historical experience, and a multi-million Mexican minority living and working in the United States.⁷² Relations with Mexico are vital for national security and economics. Ever since the Zimmermann Telegram, it is clear how important local geographic partners are. In this case, our close geographic partner to the south can even help U.S. displace geographically distant rivals.

The USD and U.S. Economy

The U.S. dollar is a major reserve currency and is utilized as tools for foreign policy in various forms such as sanctions, aid packages, the funding of defense, and more. Subordinating dollar primacy will unravel world markets and belittle our tools of foreign policy. It is imperative it be preserved. According to Georgi Kantchev, author from the Wall Street Journal, in an effort to sanction-proof itself, "To an extent, Russia has weaned itself off the dollar and reduced the share of its debt held by foreign investors."⁷³ Russia's government has maintained a conservative fiscal stance and kept its government debt under 20% of GDP as of January 2022.⁷⁴ Having global markets that demand the dollar is a foreign policy asset. America's adversaries are aware of the personal risks surrounding markets that require the USD and are attempting to circumvent it.

The economy of a country is its biggest military asset. Historically, the United States has never fought in a war with a country that had a comparable gross domestic product (GDP). According to Richard Cooper, a research assistant from Harvard University, the Soviet Union's

⁶⁸ Rafal Wordliczek, "North American Free Trade Agreement," *Politeja* 18, no. 5 (2021).

⁶⁹ "Top Trading Partners -November 2021," *U.S. Census Bureau*, <https://www.census.gov/foreign-trade/statistics/highlights/top/top2111yr.html>.

⁷⁰ *Ibid.*

⁷¹ Wordliczek, "North American."

⁷² *Ibid.*

⁷³ Georgi Kantchev, "Russia's Attempts to Sanction-Proof Its Economy Have Exposed a Weak Spot," *Wall Street Journal*, January 26, 2022..

⁷⁴ Kantchev, "Russia's Attempts."

strongest economy during the Cold War measured at 44 percent of U.S. GDP.⁷⁵ According to the World Bank, 2020 GDP for the U.S. was about \$20.9 trillion and China's GDP was about \$14.7 trillion, compared at the current official exchange rate.⁷⁶ However, when valued at purchasing power parity (PPP), China's GDP in 2020 was about \$24.3 trillion at current international dollars.⁷⁷ According to the CIA World Factbook, in China's situation, GDP at PPP provides the best measure for comparison across countries.⁷⁸ Pricing China's output at prices prevailing in the U.S. shows that they are producing more goods and services than the U.S. and that its currency has stronger purchasing power inside the country. If inflation is not kept at a manageable average of 2% annual growth, it will strain our economy and make U.S. less competitive as a country.

To partly understand why the difference in purchasing power parity between China and the U.S. exists, it is important to examine why some of our domestic prices are higher. U.S. goods and services cost at least 20% to 23% more than those of its international competitors.⁷⁹ According to Jacoby, "The largest problems that are driving U.S. companies' costs up compared to international competitors are high healthcare costs, high corporate tax rates, and excessive regulatory compliance costs."⁸⁰ Jacoby continues, "Until the tax reform of late 2017, the U.S. corporate tax rate, at 40%, including both federal and state taxes, was the highest of 171 countries in the world according to a study by KPMG."⁸¹ According to PwC, a Big Four accounting firm, Sweden has no local or municipal income taxes on Swedish corporations, and their corporate tax rate is a flat 20.6%.⁸² "The United States spent 17.1% of its GDP on healthcare, compared to 6.7% for the average of all other countries in the world (excluding the United States)."⁸³ The U.S. spends \$8,200 per person per year on healthcare, while Nordic countries spend only \$3,800 to \$5,400 per person.⁸⁴ Therefore, a country that is known for its welfare state such as Sweden, has lower taxes and spends less on healthcare than the United States.

Policy Recommendation

To prevent the USD from losing its purchasing power, and the U.S. economy losing its might, a policy recommendation is to place a limit on the amount of federal debt that the Federal Reserve can finance. This limit can be defined as an overall percentage of federal debt. If Congress does not have such an obliging lender at its disposal, it won't be able to spend at levels that outpace our GDP. Our economy services this debt, and especially in environments when interest rates are rising, having debt that is larger than GDP can be catastrophic. According to Alan Reynolds and Steve Stein, authors from the American Institute for Economic Research,

⁷⁵ Richard N. Cooper, "Economic Aspects of the Cold War, 1962-1975," *Harvard Library*, February 2008, https://dash.harvard.edu/bitstream/handle/1/3677060/Cooper_EconomicAspects.pdf.

⁷⁶ World Bank, <https://data.worldbank.org/indicator/ny.gdp.mktp.pp.cd>.

⁷⁷ World Bank, <https://data.worldbank.org/indicator/ny.gdp.mktp.pp.cd>.

⁷⁸ CIA, "World Factbook," <https://www.cia.gov/the-world-factbook/countries/china/#economy>.

⁷⁹ Jacoby, *Trump, Trade, and the End of Globalization*, 3.

⁸⁰ *Ibid*, 39.

⁸¹ *Ibid*, 43.

⁸² PwC, "Taxes on Corporate Income," <https://taxsummaries.pwc.com/sweden/corporate/taxes-on-corporate-income>.

⁸³ Jacoby, *Trump, Trade, and the End of Globalization*, 39.

⁸⁴ *Ibid*, 40.

federal debt rose to 125.5% of GDP in 2021, compared to 61.6% of GDP in 2007.⁸⁵ Restraining the Federal Reserve would manage this. During the 2008 financial crisis, a private financial market, even one as large as that of the US, could not inject enough funds into the banking system fast enough to save it.⁸⁶ Having our economy rely on continued money creation on behalf of the Federal Reserve is dangerous. Traditional credit markets create money that is directly assigned to a good or service. However, the Federal Reserve is habitually creating money that is assigned to debt. This is not good for inflation or for the power the U.S. economy wields. It is important the United States looks at its debt.

Conclusion

For decades, due to military might displayed in past wars and the establishment of the USD as the world reserve currency, the U.S. has been able to rely mainly on diplomacy to exercise its interests. That is a privilege. The U.S. needs to control its debt, because if future borrowers cannot be located, all the exported dollars around the world will flock home, resulting hyperinflation. The U.S. needs to develop a vertical supply chain policy, while keeping other countries reliant on the U.S. for financial and supply chain transactions. Lastly, exigence about China's capabilities and threats needs to be established. Nancy Pearcey gives a worldview justification of protectionist globalism, or the balance between America first and international relations, by stating, "The balance of unity and diversity in the Trinity gives a model for human social life, because it implies that both individuality and relationship exist within the Godhead itself."⁸⁷

⁸⁵ Alan Reynolds & Steve Stein, "A Smarter Debt Limit Bill," *Cato Institute*, December 3, 2021, <https://www.cato.org/commentary/smarter-debt-limit-bill#>.

⁸⁶ Qiangbing Chen, "Why China Should Invest Its Foreign Exchange Reserves in the Major U.S. Banks," *China & World Economy* 17, no. 4 (2009) <https://doi.org/10.1111/j.1749-124X.2009.01155.x>.

⁸⁷ Nancy Pearcey, *Total Truth* (Wheaton, Illinois: Crossway, 2004), 132.

Bibliography

- Belke, A., and Danielle Gros. “The slowdown in trade: End of the “globalisation hype” and a return to normal?” *Journal of Economics and Finance* 45, no. 2 (2021): 225-239.
- Mike Bird, “How China Pressured MSCI to Add Its Market to Major Benchmark,” *Wall Street Journal*, February 3, 2019. https://www.wsj.com/articles/how-china-pressured-msci-to-add-its-market-to-major-benchmark-11549195201?mod=article_inline.
- Burns, W. J. *The Back Channel: A Memoir of American diplomacy and the case for its renewal*. New York: Penguin Random House LLC, 2019.
- CIA, “World Factbook,” <https://www.cia.gov/the-world-factbook/countries/china/#economy>.
- Richard N. Cooper, “Economic Aspects of the Cold War, 1962-1975,” Harvard Library, February 2008, https://dash.harvard.edu/bitstream/handle/1/3677060/Cooper_EconomicAspects.pdf.
- Ming-Jer Chen et al., “The Smithfield Acquisition: Shuanghui Buys the Whole Hog,” UVA Darden, August 13, 2019, <https://ideas.darden.virginia.edu/the-smithfield-acquisition>.
- Chen, Qiangbing, “Why China Should Invest Its Foreign Exchange Reserves in the Major U.S. Banks,” *China & World Economy* 17, no. 4 (2009) <https://doi.org/10.1111/j.1749-124X.2009.01155.x>
- Jacoby, D, *Trump, Trade, and the End of Globalization*. Santa Barbara, California: Praeger, 2018
- Carafano, D. J. (2022, January). *Protecting the Homeland: U.S. National Defense in a New Age with Dr. James Carafano*. Lynchburg; Liberty University.
- Carafano, D. J. “Protecting the Homeland: U.S. National Defense in a New Age with Dr. James Carafano.” lecture at Liberty University, Lynchburg, VA, January 25, 2022
- Gulley, A. L., Nassar, N. T., & Xun, S. “China, the United States, and Competition for Resources that Enable Emerging Technologies.” *Proceedings of the National Academy of Sciences – PNAS* 115, no. 16 (2018): 4111-4115. <https://doi.org/10.1073/pnas.1717152115>.
- Horst, M. “Changes in Farmland Ownership in Oregon, USA.” *Land* 8, no. 3 (2019) <http://dx.doi.org/10.3390/land8030039>.
- Huang, Y. “U.S. Dependence on Pharmaceutical Products From China,” Council on Foreign Relations, August 14, 2019, <https://www.cfr.org/blog/us-dependence-pharmaceutical-products-china>.

- Kantchev, G. "Russia's Attempts to Sanction-Proof Its Economy Have Exposed a Weak Spot" *Wall Street Journal*, January 26, 2022. https://www.wsj.com/articles/russias-attempts-to-sanction-proof-its-economy-have-exposed-a-weak-spot-11643193911?mod=Searchresults_pos4&page=1.
- Karnfelt, Maximilian. "The digital Yuan will only lend a minor boost to internationalization of the currency," Mercator Institute for China Studies, November 16, 2020, <https://merics.org/en/short-analysis/digital-yuan-will-only-lend-minor-boost-internationalization-currency>.
- Pompeo, M, "Freedom Uncensored" (lecture at Liberty University, Lynchburg, VA, November 12, 2021).
- Ratcliffe, J. "China is National Security Threat No. 1," *Wall Street Journal*, December 3, 2020, <https://www.wsj.com/articles/china-is-national-security-threat-no-1-11607019599>.
- Reynolds, A., & Stein, S. "A Smarter Debt Limit Bill," Cato Institute, December 3, 2021, <https://www.cato.org/commentary/smarter-debt-limit-bill#>.
- Liang, Qiao, and Wang Xiangsui, *Unrestricted Warfare*. Beijing: PLA Literature and Arts Publishing House, February 1999.
- Liss, J. "Globalization as ideology: China's effects on organizational advocacy and relations among U.S. trade policy stakeholder groups." *Review of International Political Economy* : *RIPE*, 28, no. 4 (2021): 1055-1082. <https://doi.org/10.1080/09692290.2020.1755716>
- Mattioli, D., Cimilluca, D., & Kesmodel, D., "China Makes Biggest U.S. Play," *Wall Street Journal*, May 30, 2013, <https://www.wsj.com/articles/SB10001424127887324412604578512722044165756>
- Meyerriecks, D., interview by Intelligence Matters podcast, January 26, 2022
- McCrimmon, R, "China is buying up American farms. Washington wants to crack down," Politico, July 19, 2021, <https://www.politico.com/news/2021/07/19/china-buying-us-farms-foreign-purchase-499893>.
- Securities and Exchange Commission, "10-K," November 3, 2021, https://www.sec.gov/cgi-bin/viewer?action=view&cik=804328&accession_number=0001728949-21-000076&xbrl_type=v.
- Talley, I. and Forrest, B. "Biden's Sanctions Plan Targets Russian Banks, Companies and Imports if Ukraine Is Attacked" *Wall Street Journal*, January 28, 2022. https://www.wsj.com/articles/biden-sanctions-plan-targets-russian-banks-companies-and-imports-if-ukraine-is-attacked-11643387219?mod=Searchresults_pos1&page=1
- Pearcey, Nancy, *Total Truth*. Wheaton, Illinois: Crossway, 2004.

“Protectionism,” Credo Reference, n.d.

PwC, “Taxes on Corporate Income,” <https://taxsummaries.pwc.com/sweden/corporate/taxes-on-corporate-income>.

PBS. (2014, September 13). *Who's behind the Chinese takeover of World's biggest pork producer?* PBS. Retrieved January 25, 2022, from <https://www.pbs.org/newshour/show/whos-behind-chinese-takeover-worlds-biggest-pork-producer>

PBS NewsHour, “Who’s behind the Chinese takeover of the world’s biggest pork producer?” September 12, 2014, <https://www.pbs.org/newshour/show/whos-behind-chinese-takeover-worlds-biggest-pork-producer>. PBS NewsHour, “Who’s behind the Chinese takeover of the world’s biggest pork producer?”

Oleinik, A. “Open economy or protectionism: Ukraine’s dilemma,” *Montenegrin Journal of Economics*, 14, no. 3 (2018) 109-127. <https://doi.org/10.14254/1800-5845/2018.14-3.84>

“Top Trading Partners -November 2021,” U.S. Census Bureau, <https://www.census.gov/foreign-trade/statistics/highlights/top/top2111yr.html>.

Rebecca Ungarino, “Here are 9 fascinating facts to know bout BlackRock, the world’s largest asset manager,” Business Insider, March 10, 2022, <https://www.businessinsider.com/what-to-know-about-blackrock-larry-fink-biden-cabinet-facts-2020-12?op=1>.

World Bank, <https://data.worldbank.org/indicator/ny.gdp.mktp.pp.cd>.

Wordliczek, R. “from north american free trade agreement to united states-mexico-canada agreement (usmca): Us-mexico economic relations in the context of u.s. national security1”. *Politeja*, (74) (2021) 293-313. <https://doi.org/10.12797/Politeja.18.2021.74.18>

Wei et al., “China Has One Powerful Friend Left in the U.S.: Wall Street,” *Wall Street Journal*, December 2, 2020. <https://www.wsj.com/articles/china-has-one-powerful-friend-left-in-the-u-s-wall-street-11606924454>

Yang, J & Andriotis, A “At the Winter Olympics, Beijing’s Digital Yuan Push Puts Visa in a Bind” *Wall Street Journal*, February 9, 2022. https://www.wsj.com/articles/beijings-digital-currency-push-at-winter-olympics-puts-visa-in-a-bind-11644402602?mod=Searchresults_pos1&page=1