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Forget State vs. Treasury

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AMONG the parallels between our present financial turmoil and the Great Depression of the 1930s, few are more important to understand than the implications of economic upheaval for national security. One lesson from the Depression bears repeating loudly: Economic policy and foreign policy are not two distinct domains. They constitute a strategic nexus whose interconnections we ignore at our peril.

The perception that the United States was too enfeebled by its domestic travails to defend its interests emboldened Japan to invade Manchuria in 1931. The spectacle of Depression-era America continued to feed Japanese aggression, leading eventually to the brazen gamble that a single blow at Pearl Harbor might so demoralize the economically enervated Americans that they would throw in the towel and leave Asia to Japan.

In the 1930s, as now, in the face of severe economic affliction the temptation was strong to turn inward, to "put our own house in order" and tend to the international neighborhood later. That was Franklin Roosevelt's policy in 1933. "Our international trade relations, though vastly important, are in point of time and necessity secondary to the establishment of a sound national economy," he said in his first inaugural address.

Accordingly, Roosevelt left unchallenged the Smoot-Hawley Tariff passed during the Hoover administration, and he added some nationalist measures of his own. Perhaps his worst decision was to scuttle London's World Economic Conference in 1933, convened to discuss international debt rescheduling, exchange-rate stabilization and the restoration of the gold standard. The conference afforded the last, desperate chance to deliver a concerted international counterpunch to the worldwide depression. Yet Roosevelt effectively withdrew the American delegation in July by declaring that the United States would have no further truck with the "old fetishes of so-called international bankers."

Among those who drew malign conclusions was Hitler. Watching events from his Berlin chancellery, he calculated that the economic weakness of his adversaries opened vistas of opportunity for conquest. The inability of the democracies to cooperate economically portended their inability to cooperate militarily or diplomatically. And the ailing economy that was driving the United States inward removed America from Hitler's geopolitical calculus altogether.

On Nov. 5, 1937, having re-armed Germany in violation of its Versailles Treaty obligations, Hitler presented his senior political and military officials with an exhaustive blueprint for aggression. Over four hours, he analyzed in detail the probable reactions of other powers, including Britain, France, Russia, Italy, Japan, Belgium and Czechoslovakia. He did not even mention the United States, which he deemed incapable of offering serious resistance. By going AWOL in London in 1933, Roosevelt emboldened the man whose armed forces he would have to confront on the beaches of Normandy a decade later.

Depression and war were harsh teachers, but the lesson was learned. Surveying the economic chaos that had helped precipitate the war, Harry Dexter White, a Treasury Department official who was the principal architect of the International Monetary Fund and the World Bank, warned in 1942 that "the absence of a high degree of economic collaboration among the leading nations will, during the coming decade, inevitably result in economic warfare that will be but the prelude and instigator of military warfare on an even vaster scale."

At war's end, American leaders started initiatives that replaced the discredited policies of economic nationalism with new rules and institutions to avert protectionism and exchange-rate turmoil, and to foster expanded international trade and investment. For more than two generations, the I.M.F., the World Bank and the General Agreement on Tariffs and Trade (later the World Trade Organization) did much to underwrite global political stability as well as America's and the world's prosperity.

To govern is to choose, but economic versus foreign policy is a false choice. The national security stakes are too high to allow aggressors or terrorists to conclude that America is too economically distracted to defend its interests. And global peace and prosperity, including economic growth in foreign markets and the flow of capital on which the United States is dependent, remain highly improbable without continued - indeed, renewed - American leadership, political as well as economic.

A crucial test of governing awaits the Obama administration. It must pursue economic recovery at home and around the globe and the reinvigoration of multilateral coordination abroad. Failure to revive the sagging domestic economy will make broader security and foreign policy goals more difficult to accomplish, as Americans seek refuge in economic nationalism and foreigners lose confidence in Washington's leadership. The political and economic cooperation needed to resolve the current crisis is as essential to America's domestic well-being as it is to the successful pursuit of our worldwide strategic interests.

The Depression and World War II were not two distinct events. Depression incubated war. The war, in turn, gave birth to the array of multilateral institutions that long served to avert another global economic crisis. Keeping that relationship in mind now can help this country to resist, and encourage others to resist, pressures for inward-looking trade and investment policies and withdrawal from international engagement.

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It took a depression and a war to transform an older order. If we act swiftly and smartly, ours may be a happier fate. We have what may well be a once-in-a-lifetime opportunity to build an international economic architecture for a new century and in the process bolster our security. If we don't seize it, we may be doomed to repeat some pretty nasty history.

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