



**Thought Leader**  
by Art Kleiner

**W**ar is not a pathology,” says Philip Bobbitt. “War is a natural condition of the state.”

In his groundbreaking book *The Shield of Achilles: War, Peace and the Course of History* (Alfred A. Knopf, 2002), Philip Bobbitt, who holds a chair in constitutional law at the University of Texas in Austin, was a history don at Oxford University, and served as senior director of the National Security Council, argues that every 100 years or so, the nature of the constitutional order is altered in the crucible of armed conflict. Indeed, the war on terrorism that began on September 11, 2001, could well precipitate the next change.

This conflict will be quite unlike the war between nation-states that lasted from 1914 to 1990, however. In the ongoing evolution of the modern state, Professor Bobbitt identifies emerging “market-states” that have a different basis for legitimacy and thus a different societal purpose than the 20th-century nation-state. Whereas the nation-state saw its role as increasing the material wealth of the nation’s people and was charged

Photograph by Matthew Septimus

## Philip Bobbitt: The Thought Leader Interview

The constitutional scholar and national security expert defines a new era of market statehood.

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with making sure it was fairly distributed, the market-state seeks to increase the aggregate wealth of its citizenry — through deregulation, growing public-private partnerships, and what Professor Bobbitt calls “the devolution of the welfare state.” In their new role, “states don’t exist to deliver material well-being directly,” Professor Bobbitt says. “States exist to maximize people’s opportunities to advance themselves, and to get out of the way.”

The strength of Professor Bobbitt’s market-state is precisely its flexibility and inclusiveness, especially with regard to other organizations. It is fiercely pluralistic, marshalling many different types of organizations under the premise that markets provide the most efficient means to run an economy, and it can assist in supplementing the coercion of regulation with the incentives of the market. Even the market-states’ war making is pluralistic; private companies are not just suppliers to the government, but partners with it. The presence of corporations and nonprofits in the invasion and reconstruction of Iraq is thus a harbinger of what military operations will become; wars will increasingly be fought not by vast

conscripted armies, but by a multitude of allied enterprises and organizations that include professional forces.

*The Shield of Achilles* is an intensive, scholarly, yet unabashedly personal history of the structures of international war and peace, from the first Renaissance’s princely states to the post-al Qaeda world order. The book is rich with anecdotes and portraits of soldiers and diplomats from the past 500 years, from the Medici family to the current U.S. administration — with extensive visits in between to such critical figures as Viscount Castlereagh, his adversary Napoleon, Napoleon’s nephew Napoleon III, and the Napoleonic student and Prussian prime minister Otto von Bismarck. Although *The Shield of Achilles* focuses on matters of political and legal scholarship, it presents a thesis that is highly relevant to business executives, especially leaders of multinational corporations. Indeed, the author argues that the future is largely in their hands.

Professor Bobbitt is familiar with the pathways of power. As a teenager, he lived in the White House with his uncle, then-president Lyndon Baines Johnson. He is

also known for endowing and fostering the only U.S. government prize for poetry, the Rebekah Johnson Bobbitt National Prize for Poetry, which was named after his mother. A graduate of Princeton University and Yale Law School, he clerked for Henry Friendly on the United States Court of Appeals for the Second Circuit. He then earned a Ph.D. in political history at Oxford and moved into a tripartite career: teaching law at the University of Austin, teaching the history of nuclear strategy at Oxford, and serving in a variety of intelligence and diplomatic capacities in Washington, D.C.

Since the late 1970s, he has spent much of his career in intelligence and strategic planning in both Democratic and Republican administrations. Working on a task force led by Carter-era White House counsel Lloyd Cutler, he helped rewrite the CIA Charter. Later, he was legal counsel to the Senate committee that investigated the Iran-Contra affair, and then in the first Bush administration, he was the counselor on international law at the State Department. In the second Clinton administration, he was director of intelligence, then the

first senior director for critical infrastructure, and finally the senior director of strategic planning for the National Security Council.

Unsurprisingly, Professor Bobbitt's perspective is that of a historian who has lived a life of varied practice, as well as a life of the mind. *Strategy+business* sought Professor Bobbitt's insights on geopolitics and global economics during his recent visit to New York.

**S+B:** In *The Shield of Achilles*, you write that the Western world is at a turning point, the likes of which we haven't seen since the Treaty of Versailles ended World War I.

**BOBBITT:** It's a turning point in the ongoing evolution of the modern state, which is actually the post-Renaissance state. Modern states started in Italy around 1490, and the state system gradually expanded until it now virtually surrounds the world. There have been five different kinds of states since then, each dominating the world for about 100 years. The history of the state, in other words, is one of successive periods of long stability. Stability doesn't mean peace; there was always war. But in each period, a different kind of state tended to win those wars. In each period, governments gradually learned to adopt a new kind of "constitutional order" — a new conception of what the state was supposed to do — or else they were overtaken by those who had already adopted it.

For instance, the first Renaissance states were *princely states*: The local princes, unlike the feudal lords they replaced, were wealthy enough to hire mercenaries, dominate trade routes, protect larger and larger regions, and collect enough taxes to solidify their hold over the people of

those regions. Because that kind of constitutional order worked better, the governments that adopted it could dominate the wars of that period. But then a new period of turbulence came along, precipitating an epochal war that produced another form of constitutional order that fundamentally changed the premise of the state, and made the princely state nonviable. This was the *kingly state*, with even larger territories. Its hold over Europe was certified in 1648 at the Treaty of Westphalia. Whereas before the state proclaimed "give us power and we will protect the possessions and person of the prince," the new constitutional order promised to unite the state with the dynasty of the king.

In the early 18th century, yet a new order appeared, the *territorial state*. Then around 1776, the prevailing constitutional order shifted again, this time to the *state-nation*, in which all the citizens were united by common loyalty to their national, ethnocultural identity. This was the era of imperial states that exploited nationalities, including their own.

In 1914, the constitutional order shifted to the *nation-state*, where the state exists to benefit the nation it governs. The most successful states would henceforth be those that could directly advance the welfare of their national people.

And now it's shifting again. Since the fall of the Soviet Union in 1990, we've been in another such period of turbulence. We're entering into the era of the *market-state*, in which states exist to maximize people's opportunities to advance themselves. And that will change the role of everyone, starting with the business leaders who provide many of those opportunities.

**S+B:** How did the nation-state come to dominate the 20th century?

**BOBBITT:** For most of this century, three different kinds of state were at war with each other to determine which would be legitimate: fascist states like Nazi Germany, communist states like the Soviet Union, or parliamentary states like the United States and United Kingdom. But the same fundamental idea was pretty much unquestioned by all the great powers: that the state was given power so it could better the material well-being of its people. Woodrow Wilson and Franklin Delano Roosevelt said this; so did Hitler, Lenin, and Stalin. They all agreed on this, though they disagreed on the different ways of accomplishing it.

In this country, we entered into the nation-state constitutional order after 1865, following our Civil War. In Europe, it was pioneered by Otto von Bismarck, the Prussian prime minister who organized Germany into a single nation-state in the 1870s. But it really took the destruction of the 19th-century empires in World War I for all the great powers to adopt some version of that constitutional order. That was when the 20th-century nation-state really emerged. And it spent most of this century at war with itself. I think historians will look back on the First World War, the Bolshevik Revolution, the Spanish Civil War, World War II, the war in Korea, the war in Vietnam, and the Cold War as all part of the same basic conflict, in the same way that historians now group a dozen or so conflicts into the Thirty Years' War.

**S+B:** So the 20th century was the first time in human history that the idea had currency that a nation-state

exists to basically provide prosperity for its people?

**BOBBITT:** I won't go quite that far, because that idea has been present for quite some time. But in the 20th century, for the first time, the basis for the legitimacy of the state rested on that idea in practice. That was a real innovation, a real novelty.

**S+B:** When "Engine Charlie" Wilson, the CEO of General Motors in the 1950s and President Eisenhower's secretary of defense, said that "the business of America *is* business," he didn't mean what most people thought he meant: that corporations should dominate the government. He meant that the government was responsible for the economic well-being of its citizens.

**BOBBITT:** That's right. Many people think of private enterprise as the enemy of the state. We think of them as locked in battles like — oh, like some of the steel pricing and labor battles that Harry Truman and John F. Kennedy fought against corporate interests. But those were anomalies. Most of the time, the 20th-century corporation was very much a creature of the 20th-century nation-state. They worked hand-in-glove with regulation.

Charlie Wilson's remark was not out of place. He might have said, "the business of the state is encouraging big business." Because it was the large corporation, and its attendant labor unions, that worked so closely with that particular form of constitutional order.

**S+B:** Why did the nation-state's legitimacy — and the role of government in it — erode with the end of the Cold War?

**BOBBITT:** This is quite interesting, because that was also the moment of

the nation-state's greatest triumph. We had finally resolved the question over which the Long War was fought: The question of which form of nation-state was most legitimate.

**S+B:** In other words, the Nazis and Communists — as well as such outliers as South Africa's apartheid regime — all fell because they couldn't maintain their legitimacy as providers of wealth to their people.

**BOBBITT:** Exactly. They became anaerobic — less and less capable. The only one left standing was the parliamentary nation-state. And paradoxically, at this moment of its greatest achievement, the legitimacy of the nation-state itself began to erode, because the parliamentary regimes were also becoming anaerobic. The fundamental legitimating compact of the nation-state — the welfare of the people — is increasingly impossible to fulfill. That doesn't mean the state itself will go out of business; it has simply transmuted into a different form, the market-state.

### The Rise of the Market-State

**S+B:** How is the market-state different?

**BOBBITT:** It has different goals. The most dynamic economic and political institutions right now are those that have abandoned the goal of redistributing wealth, in favor of increasing wealth for the total society.

**S+B:** For example?

**BOBBITT:** I'll give you three examples. One is the shift from a conscripted army to an all-volunteer force. A draft is based on the notion of equality; everyone serves. To be sure, there are draft dodgers and deferments; but there is also a fun-

damental assumption that the responsibility for war should be distributed across a very broad base of people. A volunteer army concentrates the "goods" — or in this case, the "bads" — of risk, in a much more narrow sector.

Another is the deregulation trend. When you remove regulations to make industry more dynamic, you're sacrificing the egalitarian consequences of political rules. When you deregulate women's reproduction, you decentralize decisions about population. You take those decisions away from the legislatures that had criminalized abortion and, in some cases, contraception.

And a third example is the devolution of the welfare state. When you shift from unemployment compensation to job retraining, it allows individuals to leave one narrow labor market and look for different opportunities.

In all these cases, you have gone from the characteristic moves of an egalitarian distributor of wealth to a state that creates wealth, without an overriding concern with the way wealth is distributed. The total pie gets bigger, but you invariably have people and groups that are left behind. That, of course, is one of the great challenges in the market-state. How do you countervail this dynamic? Different market-states will choose to do this differently.

**S+B:** Let me ask a naive question. Do we know for a fact that when a state tries to distribute wealth, it will inevitably hobble entrepreneurship and opportunity?

**BOBBITT:** I certainly don't know that is a fact. But I do know these facts: For demographic reasons, and for reasons of capital formation and

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innovation, it will be very hard for welfare states like Germany to continue a redistribution agenda in the 21st century. Whether or not the allegedly innovative, opportunity-creating, deregulated enterprises will fare better — as their champions say they will — I don't know. It's probably too soon to say. But I think that's the direction we're going to turn to, as the old system fails. Let me add, though, that I'm not an advocate of the market-state. It's not necessarily to my taste. But this is just the way I think society is moving.

## Leading Two Lives

**S+B:** How did you get started on this inquiry in the first place?

**BOBBITT:** For a long time, I led two parallel academic lives. In the United States, after I returned from clerking in New York City, I taught in Austin at the law school of the University of Texas. I lived on the same street where I grew up. Then, after spending some time in Washington, I went to Britain and began teaching the history of strategy. My particular specialty was nuclear war strategy and national security policy. I didn't teach any law in Britain, and I didn't teach policy or history in

Austin. For another 10 or 15 years, I was very happy keeping them separate — just as they had been kept separate in the government of the state. The state tended to treat constitutional law as an internal political matter, and its strategic objectives, particularly in the U.S., as professional, external, not to be politicized.

**S+B:** So how did you decide to bring them together?

**BOBBITT:** I was in the State Department at the time of the Gulf War. And I needed to give some money to the Library of Congress to support the National Prize for Poetry, which is named for my mother. But I couldn't go out and earn money by consulting, because that would violate ethics rules. However, I could give a public lecture and have the proceeds donated to the Library of Congress. And I was invited to give a series of four lectures at St. Mary's Law School by the dean. Suddenly, I noticed that these two hitherto sort of separate channels, almost against my will, had begun to converge. The powers of war invoked by the first President Bush involved both a constitutional and a strategic element. In the Rea-

gan era, there had been a treaty between the U.S. and Soviet Union, the Intermediate-Range Nuclear Forces [INF] treaty, which provided for a reciprocal reduction in theater-range nuclear weapons. The Reagan administration had earlier tried to redefine some crucial provisions of the Anti-Ballistic Missile treaty when they implemented it, and this led to a constitutional controversy over the future interpretation of the INF treaty. This was a very interesting intersection between constitutional law, international law, and strategic policy. I began to realize how artificial it was to separate these disciplines.

Because I had to give four 90-minute talks, I had a lot of writing to do. I let my mind have free play, and these ideas took on a life of their own. I think it may have been Dylan Thomas who said that a blank page was his opportunity to find out what he thought.

**S+B:** And that's where you first developed the idea of the market-state, the state that creates opportunity, departing from the political norms of the past century?

**BOBBITT:** There are several simultaneous and related events already

on the horizon that indicate the severe stresses to the nation-state in fulfilling its promises to steadily improve the material well-being of the nation.

First, nation-states are trying to protect their national cultures against the Internet, against international communications media, and against electronic links that can't really be barricaded out.

Second, they are trying to protect their national currencies and fiscal policies against a global financial system that more or less operates outside their control and determines the value of national currency and debt instruments.

Third, they are facing transnational threats — not just terrorism and the availability of weapons of mass destruction, but medical threats like AIDS and SARS, and global environmental changes like global warming.

Fourth, a new system of global human rights supercedes national laws and forces nations to obey rules they did not create.

And fifth, of course, the commodification of weapons of mass destruction presents threats that no state can assure protection against by deterrence or defense. No state can handle these threats by itself, but no state can opt out of facing them either.

**S+B:** What kinds of indicators would show that a market-state is drawing closer?

**BOBBITT:** I think you'll see more use of incentives rather than regulation to achieve political goals. The framework agreement with North Korea is a market-state technique. I'm not sure it will ultimately prevail; it's too soon to say. But it's a very different technique than simply

condemning them or trying to punish them for cheating, even though they were clearly guilty.

You will also see increasing emphasis on public-private partnerships, and the outsourcing of what were formerly thought to be core governmental activities. Bill Clinton, Tony Blair, and George W. Bush all promoted this. In that sense, they're all more like market-state leaders than their predecessors were. George W. Bush's call for an "ownership society" is part of this trend.

### **Business in the Market-State**

**S+B:** What's going to be different about the rules of the game for a business executive in such an environment?

**BOBBITT:** Businesses will move in two opposite directions simultaneously. First, businesses that depended on funding from large government budgets — and I include in this large research universities, military contractors, and many traditional businesses — will find that they have to move more smartly into a deregulated market. They will not be able to rely on the sort of defense expenditures, for example, that sustained them in the past, even if the defense budget itself grows.

At the other end of the spectrum, private businesses and their leaders will find they are given more public and political responsibilities. They are not trained to handle them; their leaders often do not seek them; and they are not comfortable being made responsible for them. But they cannot avoid them. The media is probably the most obvious example of a private-market operator that takes on many of the functions of government. But this will

be true of other groups, as well. It's becoming obvious to executives at some oil companies, like Shell, for example, that they must be identified with sustainable development and environmental protection if they're going to succeed as a market actor.

That's a new role for executives. I know many very successful business executives who hate this idea. It's not because they are arrogant; just the opposite. They recognize that they don't have the accountability that elected officials do — or the mandate to draw upon.

**S+B:** Can you give us more of a sense of what living in the market-state might be like — for either businesspeople or their customers?

**BOBBITT:** Consider, for instance, the growing trend toward privatizing Medicare. About 40 percent of all insurance premiums now are paid by businesses. This represents a tremendous cost; it is soaring, and making the labor market far less competitive; people stay with jobs that they are unsuited for rather than risk losing their insurance.

All of this stems from the highly regulated forms of health insurance that functioned very well under the 20th-century nation-state. But in the 21st century, voucher systems will replace many of the employer-governed insurance systems now in place, as well as Medicare and Medicaid, which are classic nation-state programs. This will make business much more competitive and labor much more efficient. But it will also put a tremendous burden on individuals: How do you navigate between the hundreds of different carriers that will bid for your business? The state will still have a regulatory role. It

will have to ensure that insurance companies don't spin off the weakest and most genetically marked individuals from coverage. But it will no longer substitute for market-generated outcomes. It will mitigate those outcomes to make them fairer and more efficient.

**S+B:** What relationship do you see between corporations and the military in this new kind of state?

**BOBBITT:** Well, in the humdrum activities of the defense establishment, you're going to see a lot more outsourcing. It's silly to have highly trained enlisted men peeling potatoes. It makes more sense just to buy the damn things from McDonald's. The same is true for many intelligence functions, or for protecting the infrastructure, most of which, though critical to defense operations, is in the hands of an increasingly decentralized private sector.

I don't think we're going to go back to the days of mercenary soldiers. But conceivably the United States itself could become a kind of mercenary. The American state may actually have made some money on the first Gulf war, depending on how you do the Pentagon accounting. We certainly didn't have to finance it ourselves. And even in the current war in Iraq, we are going to get some kind of support from other states, although the degree of its depth is still very much a matter of negotiation. This means that the military itself will have to change quite a bit. The movement to "effects-based warfare" reflects this.

**S+B:** I thought that the American military had already changed quite a bit, especially since Vietnam.

**BOBBITT:** No, the two campaigns they just fought, in Iraq and

Afghanistan, were very innovative tactically. But, from a strategic point of view, we're still following the principles set by Ulysses S. Grant, William Tecumseh Sherman, and Dwight Eisenhower. We still rely on tremendous amounts of force. We have 150,000 troops in Iraq right now. Only a fraction of them actually use munitions, a tank or a gun. The rest are there as support personnel. We know how to defeat the leadership of a country, but only at great expense; and we are finding it harder to follow up. In many respects, we're still geared to fight the battles of Germany and Korea.

That's why I think you may see more diplomatic efforts like the North Korean framework agreement — where you're essentially bribing some miscreant, rather than going for a slightly more moral but extremely more expensive and risky effort to coerce change through violence. Most likely, you will see coordination between economic incentives and the background threat of coercion. That is what has brought the new Iran agreement and the recent Libyan concessions into being. Other states, and the European Union, will follow the same course. The E.U. has been very successful at getting repressive regimes to change their human rights practices as the price of joining the Union, rather than by coercing them with threats of violence, because these countries want access to markets.

To be sure, the use of market diplomacy is nothing new. That's been going on for ages. But the shift in the state away from moral nationalism toward the more amoral efficiency that we associate with business and commerce — that's a change, with implications for diplo-

macy and warfare, as well as national security.

## Welfare State Redux

**S+B:** I mentioned your book to a friend who is Canadian. He said, "Well, we're moving in the opposite direction, back toward the welfare state." And he asked me: "Is this just a description of the U.S., or does it apply elsewhere as well?"

**BOBBITT:** There will be fits and starts in these developments — one step forward, two steps back in some cases. These are still very early days. Maybe there could be a period where the trend is reversed. But my hunch is that no developed state will escape this. Canada is so much a part of NAFTA and other trading groups, and it is also subject to the political culture of the West. The current trends there are more likely to be related to the last election, rather than a trend that will last for 25 or 50 years.

**S+B:** Which is the time frame you're thinking about.

**BOBBITT:** Yes.

**S+B:** But somebody at the top of a large business, like GE or Shell, might also be looking out 25 or 50 years. And if they're planning for a market-state, they're effectively placing a bet that it will indeed come to pass. What would you say to such a person, to offer some confidence that this bet will, in fact, pay off?

**BOBBITT:** I would tell them that the great fortunes are made in periods of turbulence and change, like the one we're just entering. Neglecting the new responsibilities this world will impose on business will eventually hurt their bottom line. +

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