

# PEPPERDINE POLICY REVIEW

## Articles

### Beyond Greenspan

*Rich Danker*

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### "Peace at Home, Peace in the World": *The Rise and Role of Nationalism in Turkish Political Life*

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## PEPPERDINE POLICY REVIEW

*Pepperdine Policy Review* is a student-run journal that showcases the best scholarly work of School of Public Policy students at Pepperdine University. It features articles, commentaries, and book reviews that address a variety of important issues.

The mission of *Pepperdine Policy Review* is to publish the best scholarly research, innovative policy solutions, and insightful commentary that School of Public Policy students have to offer. This journal seeks to inform policy makers, academic researchers, and the general public of ideas that will help transform public policy debate in the U.S. and abroad. All articles are thoroughly reviewed by student editors and must meet rigorous academic standards.

Articles published in *Pepperdine Policy Review* do not necessarily reflect the views of the Editorial Board or the School of Public Policy. The journal is published annually and accepts submissions from current students and alumni of the School of Public Policy.

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## Message from the Editor

We are in the midst of change – America’s historic election of the first African-American President, California’s gravest and most prolonged budget crisis, and the federal government’s first multi-billion dollar bailout. The study of the United States’ political landscape and dynamic public policy has never been so complicated yet so exciting.

This year’s edition highlights great work from some of the School of Public Policy’s (SPP) most prominent students. A scholarly article penned by Hans Zeiger debates the arguments in favor and against the Army’s chaplaincy program. Joint MBA and Public Policy student Rich Danker suggests lessons to be learned from Greenspan’s acclaimed yet turbulent legacy as Fed Chairman. Arun Pal meshes personal experiences with rigorous research to explore microcredit as a viable method of improving conditions in Bangladesh. SPP first years Shannon Anderson and Morgan Beach also write very compelling articles – an economic analysis of the US support of the sugar industry and a presentation of cultural issues in modern-day Turkey, respectively. Finally, SPP alum and former speechwriter for President George W. Bush Troy Senik writes about how the Republican Party can survive recent setbacks and come out ahead.

The second edition of the *Pepperdine Policy Review* has been a challenging and rewarding endeavor which aims to further its legacy at the School of Public Policy. The *Review* remains a publication relying upon and led by Pepperdine’s public policy students, and while we’ve maintained the individual feel that makes our journal unique, we’ve also made significant improvements to increase its rigor and standing among public policy schools.

With the help of former Editor-in-Chief Matthew Piccolo, the *Review* drafted and finalized a Charter of Bylaws that preserves the mission and purpose of the journal, establishes a structure for administrative support and ensures that the journal will endure long into the future. In addition, we have registered the journal with the Library of Congress to attain a unique ISSN designation, allowing for convenient and reliable referencing of future publications.

This year’s Editorial Board did a fantastic job reviewing, preparing and perfecting each and every article for publication – this edition could not have been accomplished without them. I would also like to express my thanks to Matt Piccolo, for his efforts in enhancing the *Pepperdine Policy Review*, and for remaining a friend of the journal long after his obligations as head of the journal’s inaugural issue had concluded. I would also like to

give special mention to the effort and zeal of editor Lindsay Young, who pushed the mission of the journal even further with her creative mind. Lastly, I would like to extend my best wishes to incoming Editor-in-Chief Nicole Hutchinson, who I am confident will lead the journal to new heights at the School of Public Policy.

Please enjoy the second edition of the *Pepperdine Policy Review* with my thanks,

A handwritten signature in black ink, appearing to read "Nicolas Valbuena", with a horizontal line extending to the right.

Nicolas Valbuena

*Editor-in-Chief*

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# Beyond Greenspan

*By RICH DANKER*

With the economy dominating today's headlines and conversations it is hard to remember that we were preoccupied with economic events during the last decade, too. The 1990s were mostly a time of tremendous growth and innovation, but they were not without their own trials and crises. In fact, the conventional wisdom was that only one man truly understood what was happening, and he was leading the economy to prosperity amidst the perils of capitalism.

Alan Greenspan was a rock star to the political and financial establishments of his time. The Federal Reserve chairman had the capacity to change the economy's destiny through his monetary policy powers and his choice words. Interest rate announcements and his appearances before Congress took on the importance of state visits. Perhaps no two words impacted the economy as much as his utterance of "irrational exuberance" in the stock market. No matter that his Fed meetings were predictable or his public testimony laconic, Greenspan's coy style only encouraged exaltation. Time magazine put him on its cover as the head of "The Committee to Save the World," a septuagenarian suavely managing the great game of global finance. Bob Woodward wrote an aptly-titled biography called "Maestro."

The most intriguing reporting of Greenspan during that era was Robert Reich's hilarious memoir of his time as Bill Clinton's first secretary of labor. As he related in *Locked in the Cabinet*, the 4-foot-10-inch Reich would go into Greenspan's office at the Federal Reserve headquarters and plead for him to expand money growth in the hope of boosting wages. Each time, Greenspan would listen and hear out Reich's cries for help, only to send him away gently with the explanation that it couldn't be done because the Fed was worried about inflation. Reich was gone from the administration after the first term, having made no headway in convincing Greenspan to loosen up or in getting the president to complain on his behalf.<sup>1</sup>

Reich's account of Greenspan also gave conservatives someone to credit for the surging economy. In this model, Greenspan's crusade against inflation formed the policy-making that shaped the accompanying economic growth. His discarding of Reich and fellow liberal Clinton proved that old-fashioned tax-and-spend liberalism played no part in delivering the prosperity of the 1990s. Greenspan's commitment to price stability, coupled with the balanced budgeting efforts of his deficit-hawk allies on Capitol Hill, kept the bond market healthy and allowed the expansion to be financed at low interest rates.

This was true, but it is only a sidebar to the main story. The nineties boom was powered by equity, not debt. The stock market that Greenspan had scolded provided the capital for the business expansion, particularly in the tech sector. How much did low inter-

est rates and low inflation have to do with the wave of entrepreneurial capitalism that was lifting the economy? They certainly helped sustain it, but they did not spawn it.

Something much more important happened on the fiscal policy side that did not square with the initial analysis. By August 1996, President Clinton had apologized for his rookie year income tax increase. A year later after winning reelection, he signed the Tax Relief Act of 1997, which had passed Congress with near unanimous Republican approval and 80 percent Democratic support.<sup>2</sup> The law cut the capital gains tax from 28 to 20 percent and excluded the tax on gains from home sales up to certain levels. In short, by taxing capital less it made investing it in the economy more appealing. Over the next three years, average quarterly economic growth rose from 3.7 to 4.3 percent and the Dow Jones soared past 11,000.<sup>3</sup> It was not Greenspan's mysterious practice of central banking that served up this windfall prosperity, it was fiscal policy, specifically tax cutting.

What made this lesson even harder to understand was that President Clinton never took credit for it. He signed the 1997 tax bill as a favor to Republicans, with the expectation that he would receive payback down the road for his own initiatives. After the Monica Lewinsky scandal, that could not happen. So Clinton's major accomplishment for the economy was enveloped in political stratagem, and the president of limited horizons failed to see what great good he had done. Neither party really wanted to talk about the tax cutting of 1997 after that, wary that the other side would covet the credit. So as the economy expanded the Fed chair was happy to claim it.

Greenspan emerged from the nineties triumphant, but his retirement from the Fed in 2006 came amidst a swirl of unrest in the economy. The Fed began the new decade by cutting the Fed Funds rate, the interest rate it charges banks for overnight loans which in turn sets the prime rate that businesses and consumers borrow at, from nearly 6 percent to 1.82 percent over the course of 2001. This dramatically lowered the cost of borrowing. For the next two-and-a-half years it remained low at an average of 1.32 percent. Then in the middle of 2004 the Fed reversed course and raised the Fed Funds rate back up dramatically. At its high point it stayed at 5.25 percent for 12 months over 2006-2007 under the supervision of Greenspan's successor Ben Bernanke. This seesawing had the practical effect of incentivizing people to take risky loans, and then punishing them by making them harder to service. Homeowners and consumer borrowers enjoyed the fruits of cheap money in the inflationary period then endured the pains of being debtors in a monetary contraction. Many who took out adjustable rate loans, which by the beginning of 2006 composed 26 percent of the mortgage market, in the belief that low interest rates were permanent were shocked into delinquency and foreclosure.<sup>4</sup>

Economist John Taylor argues that in keeping the Fed Funds rate so low, Greenspan's Fed deviated from its traditional role of responding to inflation. This convinced the market that a different monetary policy was emerging which would reduce the response of long-term rates like mortgages to inflation. So even as expected inflation rose and real interest rates sunk negative, lenders were content to accept lower returns on their loans because they saw the Fed doing the same thing. This misadventure created ripples throughout the marketplace. "A key lesson here is that large deviations from business-as-usual policy rules are difficult for market participants to deal with and can lead to surprising changes in other responses in the economy," Taylor concludes.<sup>5</sup>

Naturally, Greenspan's legacy has since suffered an undressing, but not in the way it should have. The main thrust of criticism toward him in his reappearance before Con-

gress last fall was his reluctance in the past to call for stricter regulation of mortgages and the financial instruments behind them. His great blunder in monetary policy, what his job centered upon, was ancillary to lawmakers. For his part, Greenspan admitted he had placed too much faith in the market over government regulation, and his ultimate assignment of blame on greedy investment banks dovetailed with Congressional Democrats' sentiments.

More recently Greenspan struck back in a Wall Street Journal op-ed arguing that the Fed did not create the housing bubble. He points out that between 2002 and 2005, for the first time in modern finance U.S. short-term interest rates and mortgage rates did not have a close statistical correlation. It wasn't Fed interest rate cutting that brought down mortgages, he claims, but something larger. His answer lies in the advance of global capitalism. "The result was a surge in growth in China and a large number of other emerging market economies that led to an excess of global intended savings relative to intended capital investment. That ex ante excess of savings propelled global long-term interest rates progressively lower between early 2000 and 2005."<sup>6</sup> In other words, tremendous worldwide economic growth produced more capital than could be invested, so the remainder went into savings. This larger global savings pool brought down long-term rates like mortgages. Or, to put it glibly, the Chinese financed the housing bubble.

The overheating of the housing market has other culprits: Freddie Mac and Fannie Mae gobbling up mortgage-backed securities, Washington mandating riskier loans for the disadvantaged, and the bulge-bracket banks' willingness join the government-sponsored entities and thrifts in this action. Yet it's hard to believe that the Fed suddenly lost influence over long-term interest rates for a few years. Taylor refutes Greenspan's excess of savings argument by pointing out that while it was high in some countries, global savings as a percentage of GDP in 2003-2005 was lower than it was in the early 1970s.<sup>7</sup> Since 2005, mortgages have correlated significantly with the Fed Funds rate again as the Fed began raising it in mid-2004. Its recent move of chopping it to near zero in response to the financial crisis has been followed by mortgages hitting their lowest levels in at least 37 years.<sup>8</sup> The Fed clearly has a grip on interest rates again, if it ever lost it.

Even though he is on the defensive for the housing bubble, Greenspan isn't getting any credit for the 65 straight months of economic growth that surrounded it.<sup>9</sup> Perhaps this conclusion can serve as a reappraisal for his record during the 1990s. If there was anything to learn from the Greenspan years, it was this: monetary policy alone can't grow the economy, but it can certainly derail it. The mistaken interpretation of Greenspan's steady stewardship of the banking system in the nineties as a decade-long masterstroke of economic planning confused us as to how prosperity starts and ends, and how we got to where we are today. The sooner we come to grips with what the Greenspan years really were about, the better understanding we'll have to get out of this mess.

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# Why Does the U.S. Military Have Chaplains?

By HANZ ZEIGER

No office in America is so delicately balanced between church and state as that of the military chaplain. On one hand, the chaplain wears the uniform of his service. He is answerable to his commander in war and peace. As a defender of the U.S. Constitution, he is a partisan for a particular City of Man. On the other hand, he is the designated spokesman for the City of God in the nation's Armed Forces. He is the ordained representative of a religious tradition, accountable above all to the Almighty. How could such a phenomenon have gotten past the Founding Fathers, and more recently, the American Civil Liberties Union? This essay provides four reasons that it is not only possible, but necessary, for the United States to employ military chaplains.

First, there is a constitutional reason for the chaplaincy. In 1985, the Second Circuit Court of Appeals heard the case of two Harvard Law School students who alleged that the Army chaplaincy was unconstitutional under the Establishment Clause of the First Amendment. The Second Circuit ruled that the Free Exercise Clause “obligates Congress, upon creating an Army, to make religion available to soldiers who have been moved to areas of the world where religion of their own denominations is not available to them.”<sup>1</sup> Twenty-two years earlier, Justice Potter Stewart wrote *in dicta* in his dissent for *Abington School District v. Schempp*, “Spending federal funds to employ chaplains for the armed forces might be said to violate the Establishment Clause. Yet a lonely soldier stationed at some faraway outpost could surely complain that a government which did not provide him the opportunity for pastoral guidance was affirmatively prohibiting the free exercise of his religion.”<sup>2</sup>

Since the chaplain ministers to men and women whose work takes them far from home, and since he serves personnel of other faiths, the post is not a religious establishment; it is an affirmation of the basic right of human beings to worship as they choose. U.S. Army Regulation 165-1 set forth this constitutional principle plainly: “In striking a balance between the ‘establishment’ and ‘free exercise’ clauses, the Army chaplaincy, in providing religious services and ministries to the command, is an instrument of the U.S. government to ensure that soldiers’ ‘free exercise’ rights are protected. At the same time, chaplains are trained to avoid even the appearance of any establishment of religion.”<sup>3</sup> The regulation justifies chaplains’ role in ceremonies outside the chapel since “Such occasions are not considered to be religious services.”<sup>4</sup>

The free exercise basis of the chaplaincy—in concept and in wording—predates the Constitution. In September 1775, George Washington wrote to Benedict Arnold, instructing him to ensure religious freedom within the ranks. “[A]s far as lays in your power, you are to protect and support the free exercise of the Religion of the Country and the undis-

turbed Enjoyment of the rights of Conscience in religious Matters, with your utmost Influence and Authority.”<sup>5</sup> Washington’s General Orders of Saturday, May 16, 1776 called for a day of rest and chapel attendance with “their respective chaplains” the following day.<sup>6</sup> The idea of a pluralistic chaplaincy was essential from the beginning of the American cause.

The Continental Congress instituted the Navy Chaplaincy in November, 1775, directing the military commanders “to take care that divine services be performed twice a day on board, and a sermon preached on Sunday, unless bad weather or other extraordinary events occur.”<sup>7</sup> In accordance with another act of the Continental Congress on May 27, 1777, a chaplain was assigned to each Army brigade with colonel’s pay.<sup>8</sup>

The military chaplaincy was an accepted institution under the new Constitution, alongside civilian chaplains who served in the House and Senate beginning with the first Congress in 1789.<sup>9</sup> Israel Drazin and Cecil B. Currey note that James Madison, the Father of the Constitution, voted to authorize the chaplaincy in 1791, 1794, and 1797 when he was a member of Congress, and signed such an authorization in 1814 when he was president. Following the War of 1812, Congress employed only one Army chaplain - at West Point.<sup>10</sup> By 1838, Congress made provision for thirty Army chaplains, twenty-four Navy chaplains, two in Congress, and others at military schools and frontier forts.<sup>11</sup>

One of the first protests against the chaplaincy came from the Kehukee Primitive Baptist Association on December 11, 1818. The Baptists petitioned Congress for the “repeal of all laws authorizing the appointment of Chaplains to Congress, the army, navy, and other public stations.”<sup>12</sup> Congress did nothing. When similar petitions arrived on Capitol Hill in 1850, the House Judiciary Committee issued a report explaining the constitutional basis for chaplains. Article I, Section 8 authorized Congress to raise an Army and Navy, but it made “no enumeration of officers or of their functions.” It was within Congress’ discretion to employ military chaplains. “Having thus existed prior to the adoption of the constitution, can it be doubted that ... it was fully within the power of Congress to provide for the appointment of chaplains as that of surgeons?”<sup>13</sup> Two more reports of the House Judiciary Committee followed in 1853 and 1854 in response to similar petitions.<sup>14</sup>

The constitutional history of the chaplaincy is consistently affirmative. Early challenges were rejected by Congress. Far from an establishment of religion, the chaplaincy is an essential bulwark of religious liberty. According to Maj. Michael Benjamin, chief of the Criminal Law Division in the Army’s Third Infantry Division, “The best defense of the chaplaincy, and of any religious program in the military, is that it preserves a soldier’s right to freely exercise his religion. In the absence of government funded chaplains, soldiers would be stymied from practicing religion in situations made necessary by military service.”<sup>15</sup>

Beyond the constitutional argument, proponents of the chaplaincy have always pointed to a second justification: its moral effects. George Washington wrote to Col. George Taylor that chaplains should be men of “character and good conversation ... who will influence the manner of the corps both by precept and influence.”<sup>16</sup> General Pershing wrote of chaplains during World War I, “Their usefulness in the maintenance of morale, through religious counsel and example, has now become a matter of history.”<sup>17</sup> And General MacArthur commended the role of chaplains in the post-World War II occupation of Japan, since “moral leadership devolves, in large measure, upon the corps of chaplains working in close understanding and cooperation with all unit commanders.”<sup>18</sup>

Much as chaplains are defenders of the free exercise clause, especially when their

congregants are far from alternative opportunities for worship, they are also the military's moral guardians in faraway lands and self-contained bases.

Since military personnel are under pressures unique to their profession and are often physically removed from the civilian world, they “look to their institution ... to support their physical, emotional, social, and religious needs,” according to Drazin and Currey.<sup>19</sup> In 1950, the Chief of Chaplains claimed that the typical chaplain spent 30 percent of his time counseling, 25 percent on religious services, 8 percent on collateral responsibilities, 8 percent on education, and 4 percent on community liaisons.<sup>20</sup> Beginning in the 1960s, chaplains were available to counsel soldiers, sailors, and airmen on drug abuse issues.<sup>21</sup> Today's chaplains spend time with fighting men and women in places like Baghdad, Fallujah, and Kabul, mentoring, cheering, and reassuring.<sup>22</sup>

The chaplain serves soldiers, sailors, and airmen in a way that civilian clergy cannot. When civilian ministers showed up on the ground during the Vietnam War, they required security details and were unable to relate to the needs of combat soldiers.<sup>23</sup> In a 2008 PBS interview, Army Chaplain Seth George, who has served two tours in Iraq, summarized the specialized challenges of uniformed ministers:

[Y]ou will be with a platoon that just lost a soldier. Guys are crying. You're hugging them. You are trying to talk to them a little bit, and then you literally walk around the corner to another company area and it's, “Hey chaplain, what's the word for the day?” And they want to laugh and cut up, just like always, and so to switch gears like that is very difficult, and I try my best to do that. You rejoice with those who rejoice, and weep with those who weep, and that's part of, I think, the unique element of being a chaplain in the Army.<sup>24</sup>

Chaplains also function as a social conscience for the major decision-makers in the military. It was because Navy chaplains protested the flogging of sailors that the practice was ended in 1850. In 1872, Navy chaplains successfully petitioned against the service of grog aboard vessels.<sup>25</sup> In the 1980s, Chief of Chaplains Kermit Johnson was publicly critical of some of President Reagan's national security policies (this probably crossed the line of propriety).<sup>26</sup>

The early years of the Cold War saw a renewed focus on the moral impact of the military chaplaincy. A 1945 proposal for universal military training by the War and Navy Departments explained its call for new chaplains: “religion strengthens and steadies the serviceman in the presence of danger and sustains him in hardship and adversity.”<sup>27</sup> An Army Character Guidance Manual published by the Army Chaplain's School five years later envisioned soldiers who were capable of distinguishing right from wrong, obedient to an ethical code “as set forth in the Moral Law and the Natural Law.”<sup>28</sup>

Third, the chaplaincy serves a civic purpose. Not only does religion shape individual character, it influences the way individuals interact in a democratic society. It was mentioned earlier that chaplains participate in military ceremonies outside of the chapel, because those ceremonies are said not to be religious. Yet such ceremonies—installations, dedications, memorials, public holiday observances, collective prayers on the eve of battle—are forms of *civil* religion. Nowhere is civil religion both created and celebrated more than in the Armed Forces; nothing is more hallowed to Americans or to war veterans than what Lincoln called “these honored dead.”<sup>29</sup> The Chaplain is a guardian not only of his particular faith, but of the common American faith - in democracy, liberty, and justice.

During the Cold War, military and civilian leaders stressed the importance of the chaplain as a molder of useful, self-governing citizens for the industrial age. President Truman called on chaplains to “develop skills that could be used in civilian life, to raise the physical standards of the nation’s manpower, to lower the illiteracy rate, to develop citizenship responsibilities, and to foster the moral and spiritual welfare of our young people.”<sup>30</sup> Beginning in 1947, the chaplain was to be a teacher of civics and ethics during regular training exercises. Secretary of War Robert Patterson decreed that “The Corps of Chaplains bears a special responsibility for the moral and spiritual welfare of troops. [C]ommanding officers will allocate appropriate periods in the regular training schedule for instruction in citizenship and morality which all personnel will attend.”<sup>31</sup>

The idea of the chaplain is transferable to civilian civic life. The Post Chaplain figures prominently in Veterans of Foreign Wars and American Legion meetings, the sorts of meetings where patriotic ceremony and prayer are taken seriously. Veterans pray for soldiers and sailors who are currently serving, and they pray for their own comrades who have passed on. The prayer becomes a link between the servants of the nation and the Divine.

Military chaplains have played an important role along America’s path to racial equality. After Emancipation brought freed slaves into the ranks of the Union Army, General Ulysses S. Grant called on a chaplain, John Eaton, to organize and care for a new corps of black soldiers.<sup>32</sup>

As America becomes more religiously diverse, the chaplaincy becomes as much an affirmation of pluralism as it is of a chaplain’s particular faith. Today, Muslims and Buddhists minister in the Army, Navy, and Air Force chaplain corps, a practice that would raise eyebrows in previous generations.<sup>33</sup> In his review of Congressional debates about the chaplaincy, Lorenzo Johnson wrote in 1856, “Their very existence in the Government employ, commits our nation to the recognition of Christianity in distinction from Mohammedanism and Paganism.”<sup>34</sup> Many early chaplains were nondenominational; beginning around 1826, the Army and Navy Secretaries asked chaplain candidates to present ordination credentials within a Christian denomination.<sup>35</sup> Only during World War I was a formal denominational endorsing system established.<sup>36</sup> For most of American history, the military chaplaincy was dominated by mainline Protestants and Catholics.<sup>37</sup> Only seven or eight Protestant denominations were represented in the Chaplain Corps during World War II, according to the Presbyterian Council for Chaplains and Military Personnel. Today, the Department of Defense recognizes over 200 religious denominations, 130 of which are actually represented in the armed forces.<sup>38</sup>

In an interview for the State Department Bureau of International Information Programs in February 2008, Imam Abuhena Saifulislam, the U.S. Navy’s second Muslim chaplain, explained his reasons for joining the Navy chaplaincy: “I wanted to help other people understand more about Islam by being an example. The chaplaincy program offered me that opportunity as well as a chance to help military service members of other faiths.” The imam discussed his ministry to cyclone victims in his native Bangladesh and affirmed the religious openness of the U.S. military. “I have personally been well-received into the military. I have been treated as an equal, and have been able to practice my faith like anyone else.” With this interview, the pluralism within the U.S. military chaplaincy was used to reach out to the Muslim world. Online questions for Imam Saifulislam came in from Afghanistan and several locations in Bangladesh.<sup>39</sup>

This suggests a final reason for the chaplaincy, perhaps increasingly relevant: its



function in shaping international perceptions about American religious freedom and pluralism, as well as the military's perception of diverse religious practices throughout the world. At the end of World War II, Jewish chaplains were attached to Army units liberating the concentration camps, and chaplains suggested that a Buddhist priest be available to assist former Japanese POWs.<sup>40</sup> Rabbi Max Wall, an Army chaplain, channeled aid to Holocaust survivors and helped them to reunite with family members.<sup>41</sup>

Today's chaplains are cultural navigators for their commanders and mediators between military and religious leaders, especially in the Middle East. According to Col. Steven Mains, director of the Center for Lessons Learned at Fort Leavenworth, Kansas, "Our enemy has said this is a religious war, so the chaplain is being pulled into a different role. They have to be able to sit down with imams and sheikhs and have relationships that would take the commander many more visits."<sup>42</sup>

The increasingly cross-cultural role of America's chaplains has been among the major developments of the wars in Afghanistan and Iraq. In a 2004 speech to the National Conference on Ministry to the Armed Forces, Undersecretary of Defense for Personnel and Readiness Dr. David Chu said, "Whereas in the past, chaplains would probably be called upon to function as practitioners in their individual faith traditions; in the future, they will increasingly be called upon to be consultants and advisors ... to their commanders on the precepts of other world religions." Chu turned emphatic about the need for endorsing denominations to embrace pluralism: "For the chaplains that you send ... their conceptual picture of ministry must clearly depict a very pluralistic mindset reflecting pluralism in their own ranks and in the world in which we function."<sup>43</sup>

In 2007, Lee Lawrence of the *Christian Science Monitor* followed Navy Capt. James Fisher, an evangelical chaplain, as he met and ate with an Afghan mullah in Kabul. Fisher was working with the mullah to establish a chaplaincy within the Afghan National Army, the first-ever American attempt at such a feat in an Islamic country under reconstruction. Though Afghanistan's chaplaincy would be distinctly Muslim, Fisher stated his hope that American chaplains could be "living, breathing witnesses to how [plurality] can work and that the RCA will pick up on that."<sup>44</sup>

No doubt, the chaplaincy will change as America changes—and as countries like Iraq and Afghanistan change. The Chaplain Corps will continue to reflect America's growing religious diversity, and it will continue to adapt to the moral and strategic challenges of the nation. Though this discussion has been limited to a rationale for the U.S. military chaplaincy, several controversial questions about the chaplaincy remain unresolved. Issues include the fair representation of denominations and faiths in the chaplaincy, the place of proselytizing by chaplains, the tension between a chaplain's religious beliefs and military force in the prosecution of war, a chaplain's free speech rights, and the role of chaplains in combat.<sup>45</sup> Regardless of how these issues are handled by military leaders and policymakers, the place of chaplains alongside America's men and women in uniform will remain indispensable.

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# Does Microcredit Facilitate Socioeconomic Development?

## *A Case Study on the Grameen Bank and Proposition for Impact Assessment*

By ARUNDHATI PAL

### Introduction

Contemporary poverty alleviation strategies embrace microcredit as the ultimate tool for eradicating poverty. This approach creates a mechanism whereby impoverished peoples can overcome abject poverty and achieve a level of self-sufficiency. While other poverty reduction methods such as food and healthcare aid, and debt forgiveness simply address the temporary side effects of poverty, microcredit presents a bolder claim. Microcredit asserts itself as a preventative strategy for complete poverty extinction and an effective instrument for socioeconomic development: income security, prioritization of health, education and environment, women's empowerment, and political participation.

A major source of poverty is the poor's lack of access to credit as they are typically viewed as a financial risk by commercial lenders. Without credit, the poor are unable to invest economically, leaving them without any form of savings and consequently stranded in the vicious cycle of poverty. By extending credit to the poorest of the poor (those citizens living under \$1/day), conceptually, microcredit relies on the belief that borrowers will utilize the money for self-employment, income-generating activities (IGA), and small enterprises. In turn, the financial gains will allow the borrowers to further invest and expand their enterprises, thus perpetuating a sustainable level of income, investment, and savings. If income security is achieved, borrowers will subsequently prioritize the often-neglected aspects of poverty: health, education, women's rights, the natural environment, and political participation.

While microlending appears promising, its actual evidential impact on socioeconomic development of the poor remains uncertain and vastly untested. The importance of such an empirical assessment is crucial in fighting poverty. If microcredit is proven as a solution to poverty, its potential impact on humanity may be astounding. A quantifiable benefit of microcredit, with rigorously tested and verifiable results, is necessary to assess this impact on humanity. Microcredit has gained its success on the platform that *access to credit* is a human right, regardless of the socioeconomic background of an individual, and thus no one shall be denied this right. Proponents of this view assert that a person's worth should not be simply measured by wealth and assets. Wealth encompasses more than just income and ownership while poverty encompasses more than the mere lack thereof.

Under chronic poverty, individuals not only lack a source of income, but are unable to enjoy even the most basic of human freedoms and rights – food, shelter, clothing, healthcare, education and political participation – freedoms that are necessary for human and societal development. Noted economist and Nobel laureate, Amartya Sen argues that development must be included as a human freedom, and it “requires the removal of major

sources of *unfreedom*: poverty...poor economic opportunities as well as a systematic social deprivation, neglect of public facilities..."<sup>1</sup> Furthermore, Sen correctly understands that these aptly named *unfreedoms* to "relate directly to economic poverty, [robbing] people of the freedom to satisfy hunger, or to achieve sufficient nutrition, or to obtain remedies for treatable illnesses..." and what individuals can "positively achieve is influenced by economic opportunities, political liberties...and the enabling conditions of good health, basic education, and the encouragement and cultivation of initiatives".<sup>2</sup>

In order to assess the effectiveness of microcredit on socioeconomic development, one must evaluate current microcredit loans and practices. The question that must be asked is to what extent are socioeconomic opportunities expanded through supplemental income from microcredit loans? To answer this question, measurable indicators that display characteristics of socioeconomic development need to be utilized. The following indicators are often used in impact assessments as representative of such development: investment in higher education, socioeconomic empowerment of women, access and utilization of health services, and prioritization of savings and investment. This paper will identify the observed deficiencies of the aforementioned indicators through a case study of a premier microfinance institution, the Grameen Bank of Bangladesh, and conclude with a reemphasis on the absolute need for gathering extensive empirical data and adequately utilizing it to provide a quantifiable impact of microcredit on sustained socioeconomic development. It is necessary to note that valuable progress has been made in the application and assessment of microcredit. However, limitations on funding, research, appropriate data collection and various other complexities (which need to be discussed further in separate research) have restricted the pace of progress.

### **Case Study: The Grameen Bank Project**

#### **Background**

Modern-day Bangladesh continues to rank as one of the most impoverished countries in the world since its independence in 1971. Alarming combinations of political instability, exponential population growth, and natural disasters continue to stifle Bangladeshi socioeconomic standing. Currently 84% of the population earns less than \$2/day, with 29% of that portion living on less than \$1/day.<sup>3</sup> Furthermore, poverty is concentrated in rural Bangladesh, where 117 million people, approximately three fourths of the total population, reside. Such abject poverty and economic challenges provide an ideal backdrop for the discussion and application of microcredit.<sup>4</sup> In 1976, Dr. Muhammad Yunus (then a professor of economics), armed with the belief that poor people were credit-worthy and that access to credit was a human right, created the Grameen Bank with the hope of alleviating poverty.<sup>5</sup> Understanding the creative and entrepreneurial potential of individuals, the Grameen Bank began as Yunus' experiment, loaning small sums of money to very poor individuals; this loan would be used for income generating activities. Since 1976, the Grameen Bank has become a formal, profitable banking institution, disbursing over \$7.43 billion in loans to its 7.61 million borrowers, 97% of whom are women, helping them rise above the poverty line.<sup>6</sup> The bank provides a number of products (loans) including the Basic, Housing, Higher Education, and Microenterprise loans, as well as other financial services such as mandatory savings, pension, and life insurance. The loans are provided on a collateral-free basis, and accrue a flat simple interest versus the traditional compound interest. A detailed guideline of eligibility for loans can be found in Appendix A. The evalua-

tion methodology used by the bank for measuring the level of socioeconomic progress, is composed of both income and social indicators, including the 10 Indicators and the 16 Decisions (found in Appendix B).

The lending practices of the Grameen Bank, with its extensive outreach and clientele, has earned the institution noteworthy accreditation. In October of 2006, Dr. Yunus and the Grameen Bank were formally recognized for their impressive achievements by sharing the Nobel Peace Prize. Despite their newfound success, the impact of their microcredit practices on the socioeconomic development of their borrowers remains uncertain. The Grameen Bank has succeeded in assisting 68% of its borrowers' families in successfully crossing the poverty line, while an unaccounted subsection of this population, has gradually progressed from earning less than \$2/day to enjoying a relatively comfortable income.<sup>7</sup> However it is unclear whether this group of borrowers is experiencing the key elements necessary for socioeconomic development: income security, prioritization of health, education and environment, women's empowerment, and political participation. The following evidence is based on personal observations conducted during a two-month internship with the Grameen Bank and expresses these uncertainties. While these observations may not reflect a general trend, their existence alone, necessitates further investigation.

#### Investment in Higher Education

*“My sister wanted to go to high secondary and university, but my parents had to marry her off due to pressure from society...”* – Rickshawala, whose mother is a Grameen borrower

While general education in Bangladesh has shown vast improvement upon implementation of the “Education for All” policy in 1990, secondary and tertiary education, particularly for women, remains underutilized. Less than half of the 89% of children who attend elementary school enroll in secondary school (grades 6-10).<sup>8</sup> Of the fraction of men and women who attend secondary and higher secondary schools (grades 11-12), a mere 12% of men and 9% of women seek college education.<sup>9</sup> In rural Bangladesh, parents generally place a low value on schooling their children for two reasons: the cost of education and the opportunity cost of child labor. Educational costs to families typically include “direct cost of fees and books, [and] indirect costs of higher nutrition...”<sup>10</sup> A greater burden on families is the lost opportunity cost that productive child labor adds to the family income. The schooling of girls poses the highest financial and social burden. With the average age of marriage for girls being 13-16 years, investment in their education seems irrelevant and insignificant to most households since girls leave their parental homes after marriage and no longer contribute to the family income.

More and more girls have started enrolling in primary and secondary education, however this is largely due to government subsidies to families for girls' education up to grade ten. Therefore, only a minute fraction of women pursue any sort of higher secondary and/or tertiary education that is necessary for the economic development of households and nations alike. Societal pressures in rural communities also limit girls' education to secondary schooling. Younger girls attract a larger dowry and better prospects for marriage, and higher education is merely another marketable asset. Although the Grameen

Bank promotes elevated cultural expectations of their borrowers, such as number 11 of the 16 Decisions (see Appendix B), “We shall not take any dowry at our sons' weddings, neither shall we give any dowry at our daughter's wedding. We shall keep our centre free from the curse of dowry. We shall not practice child marriage.” Despite this edict, the practice is still very common. Economically these borrowers still see the sale of their daughters as both a relief from financial burden and an economic benefit. This practice exists in most places where microcredit operates, and selling of girls into marriage continues to be a significant source of income for families.

The negative view of investment in higher education is also demonstrated by the low rate of participation in Grameen's Higher Education Loan Program. An in depth interview in May 2008 with the Lakshampur local Grameen Bank manager revealed that out of more than 4000 borrowers, the majority of whom were eligible for the Higher Education Loan Program, only six borrowers took advantage of this product in the four years of their operations at that village. Only a small fraction of Grameen borrowers are beginning to understand the value of tertiary education, regardless of the gender of their children. These families have utilized a substantial portion of their loans to facilitate this higher education. A shift in mentality toward prioritization of, and investment in, higher secondary and tertiary education for both men and women alike, is crucial for socioeconomic development. This advanced mentality is indicative of understanding the correlation between higher education and the benefits it has on income security. Ultimately, income security is the steady state that poor people seek to acquire.

#### Socioeconomic Empowerment of Women

*“I sell these eggs and milk from my home...we are not allowed to go to the market to sell things.”* – Female Grameen borrower

Socioeconomic empowerment of women begins with their access to economic tools as well as improvement of their social standards. It is indisputable that the Grameen Bank has made an incredible impact on the economic capacity of women by recognizing their prudent fiscal managerial skills and the priorities that women give to their children and family. For this purpose, Grameen loans are specifically given to women. In a patriarchal family structure, where women are traditionally subordinate to their male counterparts, having control of the household income has significantly improved the female borrowers' position in the home. Furthermore, when a female borrower is granted a Housing Loan, the Grameen Bank legally places the deed to the home in the woman's name. This allows her to own property and safeguards her future against divorce and being left assetless.

However, in Islamic Bangladeshi society, governed mostly by Sharia law, women receive very little status and importance, especially regarding economic matters. Constrained to their homes, women who seek employment outside of their homes are portrayed as “morally lax and the cause of disintegration of the family, of social values, and of society in general”.<sup>11</sup> Such societal stigmas limit rural women's employment options, especially when it comes to any commercial activity. While the Grameen Bank encourages entrepreneurial activities of their female borrowers, such activities are bound to the home. For example, a woman may borrow money to buy some cows, but she can only sell the milk

from home. This confines her sales, as she cannot go to the market to sell milk to a larger base of consumers. Due to the fact that women have little to no market access, both in physical and economic terms, the loans they take are primarily used to support their husbands' and/or sons' employment. A major critique of this type of microcredit scheme asserts that women are only money collectors, instead of money managers and entrepreneurs able to direct their own finances. Therefore women's economic potential through microcredit is being vastly underutilized and neglected. Furthermore, while women contribute heavily to the overall labor force in Bangladesh, their work is mostly unpaid, reinforced by the fact that only 26% of paid adult employees are women.<sup>12</sup> The lack of wages has been documented particularly in agriculture and manufacturing, where women work most often as uncompensated "family helpers" as opposed to wage earners. 56.4% of unpaid family helpers are women, along with 74% of day laborers.<sup>13</sup>

Therefore, encouraging the socioeconomic progress of women, where women are genuinely engaged in compensated commerce, entrepreneurship, and trade that goes beyond the selling of a dozen eggs from the home, is crucial for socioeconomic development. If a woman is allowed and encouraged to participate in the economy as equally as a man, total household income would increase significantly, leading to greater income sustainability.

#### Access and Utilization of Health Services

*"We don't have hospitals or clinics in the villages because doctors do not want to go and live there..."* – Grameen Bank official

It is a logical deduction that once an individual experiences income growth, he or she begins to focus on healthcare needs. Such essential needs of individuals are deferred or ignored when income is insufficient. An element of socioeconomic development is the emphasis on reliable and accessible healthcare, which in economic terms increases productivity and life expectancy, thereby allowing individuals to earn more for a longer period of time. Key to improved health is the recognition of important hygienic and sanitary behaviors, such as using proper latrines, drinking only potable water, bathing in sanitary water, etc.

However these logical and seemingly common sentiments are not apparent in majority of rural Bangladeshi households. Access to a physician or trained medical expert is often limited due to proximity to larger cities and towns. More often, the closest clinic is located forty to fifty miles away, and an emergency medical facility may be even further. Furthermore, absenteeism among physicians and trained medical staff has risen by over 40%, making access to healthcare unreliable and cumbersome.<sup>14</sup> In terms of maternity care over 70% of women acquire prenatal care from untrained individuals, including relatives. Most rural families continue to avoid getting medical help when needed. When medical facilities are within reasonable access, the habit of not going to see the doctor outweighs the need for proper medical attention. As medical attention continues to be neglected by a majority of rural households, the overall health of the population remains grim, thereby contributing to inefficiencies and decreasing productivity in the workplace.

In larger cities, the Grameen Bank has designed a medical welfare program. Poor



individuals can receive discounted medical services, while the Bank subsidizes medical providers for their low-priced services to the poor. Even with the existence of such programs, the Bank's borrowers vastly underutilize these medical services. Again, emphasis on good health as an investment is lacking, as most borrowers view it as money they will never see again. They would rather wait out their ailments and illnesses than pay to receive medical attention, unless absolutely necessary.

In regard to sanitation, while 97% of the rural Bangladeshi population has access to clean drinking water, only 33% of enjoy access to sanitary latrines. Customarily, peoples of rural Bangladesh used the toilet outside of their homes, usually in a field or in ponds and lakes, because they deemed this practice as more sanitary than having a latrine in their homes. With natural disasters, especially floods, abundant in Bangladesh, human excrement in ponds, rivers, and lakes caused severe public health concerns. To eliminate these health concerns for the future, the bank undertook the "pit" latrine project, providing these latrines to every borrower household. The Grameen Bank subsidizes the purchase of these sanitary latrines in a massive effort to increase public health in rural communities. However, in a society where culture and daily way of life supersede public health concerns and hygiene, such sanitation services are limited and largely ineffective. Therefore, while the risks from 30 years ago may have declined, they have not been eliminated due to lack of public health education and a cultural transformation from aversion to awareness.

#### Emphasis on Savings and Investments

In general, the majority of Bangladeshis are deficient of the fundamental knowledge of savings and investment. The most obvious reason, besides the low income of the impoverished individuals, is the lack of proper financial education and the lack of property rights and ownership. However, even in the most simplistic terms, once income becomes sufficient, economic rational behavior reveals the inclination of individuals to save for their future to compensate for any unexpected loss of or decrease in consumption. Such "rational actor" sentiment is clearly absent in rural societies of Bangladesh, the areas where the Grameen Bank operates. Perhaps from repeated experience in losing one's hard earned assets, the attention of rural Bangladeshis remains on immediate consumption and minimizing risks from external shocks, rather than savings and future consumption. There is always a sense of urgency to use the income to generate even more income as opposed to a combination of income generation, savings, and investment. Outside of the mandatory savings required of Grameen borrowers (see Appendix B), these affected groups have no other form of savings.

Investment is also a problem and shares a similar experience with the lack of savings. Losses of homes and livelihoods on a relatively frequent basis leave the borrowers feeling unsettled. They do not believe in investment because their experiences often do not allow them to forecast for their futures. If a farmer has repeatedly lost his crops and land to floods, his focus becomes the regeneration of income to the previous level, instead of investing for future expansion. However, losses and investments are part of a cyclical process. If the farmer had set aside a lump sum for the future on a regular basis, then even if he did undergo a severe natural disaster, he would still retain a part of his previous income instead of having to start fresh with nothing.

For an agrarian society such as in Bangladesh, this understanding of savings, in-

vestments, and protecting against future losses, is essential and necessary for socioeconomic development. The problem is the lack of institutions or infrastructure available for the poor to invest their limited assets and wealth. Commercial banks will not accept them since the poor are not deemed credit-worthy, so a perpetual downward spiral is created under these circumstances. According to Grameen Bank officials, only half of collected or deposited money is re-circulated into loans, illustrating a lack of both accommodation and infrastructure in commercial banks that does not allow them to accommodate rural customers.

### **Emphasis on Collection of Necessary Empirical Data**

It is uncontested that the Grameen Bank has been overwhelmingly successful in helping millions of their borrowers reach and cross the poverty line. However, the impact of such microcredit programs on socioeconomic development for individuals who have crossed the poverty line remains unknown. There must be reliable evidence to support any claims that microcredit can and will eradicate poverty. Sufficient and reliable data, at an expansive household level will help with the construction of effective econometric models that can better quantify the impact of microcredit on poor households.

For economists, humanists, and donors to microfinance institutions (MFIs) such as the Grameen Bank, the measure of poverty reduction, in conjunction with its social implications, is an important point of discussion and contention. Economists and donors desire concrete evidence in the form of numbers and trends to evaluate the impact of particular interventions and programs. MFIs are not excluded from these expectations. Humanists tend to be more theory and experience based and less concerned with empirical evidence. The three contending groups have led to both critiques and praises of microcredit practices. The obvious problem for deriving the empirical evidence requested by economists and donors is sufficient and reliable data. Many authors and researchers state that MFIs are inadequate at maintaining data that would help build models for an impact assessment of MFIs. Most institutions provide only minimal data to appease their donors, but such data may not be reliable and may be very limited. An institution like the Grameen Bank, which stopped accepting donor funds in 1995, sees no incentive to collect and maintain any sort of data to qualify its claims of poverty reduction and subsequent socioeconomic development.<sup>15</sup> This outlook must be changed if microcredit is to remain a valid tool for socioeconomic development and poverty reduction. The positive long-term impact and capacity of this strategy needs to be determined.

In regard to choosing an appropriate unit of assessment, for institutions like the Grameen Bank which loan to women who are most likely married and part of a family, an evaluation at the household level would be most pertinent since the loan is utilized for the family income. According to Hulme, while using the household as the unit of assessment provides a comprehensive overview, there are definite drawbacks: “complexity, high costs, demands sophisticated analytical skills, and is time consuming.”<sup>16</sup> However, a comprehensive overview using the household as the primary unit provides a “relatively easily defined and identified [group], [and] permits an appreciation of livelihood impacts...”<sup>17</sup>

To measure the impact of microcredit on socioeconomic development, proper variables must be chosen. Variables that comprise both economic and social indicators are necessary since these types of variables are the key components of socioeconomic development. In order to measure changes in higher education, socioeconomic empowerment of

women, utilization of health services, and emphasis on savings and investment, the following measurable variables should be considered: loan disbursement amount, number and type of loans taken per household, net household income, amount of loan repayment, number of children receiving higher education, number of women participating in the formal economy, number of doctor visits, amount of savings outside of the Grameen Bank, and number of working members in the household, etc. Due to their numeric attributes, combinations of these variables can generate econometric equations, displaying a wide variety of outcomes: links between increased income, increased doctors visits and improved health; correlation between economic participation women and consumption, etc. By populating these specific variables with reliable empirical information, a diverse range of quantifiable results of microcredit, can be established.

### **Conclusion**

While the suggestions are fundamental in nature and require a more rigorous inspection into possible scientific methodologies, scope of data collection endeavors, and overall plausibility, the need to conduct an assessment which quantifies the impact of microcredit on socioeconomic development is of utmost importance. While searching for the appropriate methodology to such a profound social dilemma as poverty, it is crucial to recognize that the management, implementation, and interpretation of any selected would be inherently complex and admittedly not void of potential complications. As suggested earlier, the plausibility of reaching millions of borrowers at a household level is uncertain due to fiscal constraints, rigors of data collection, and development of a sound method of data analysis. Regardless of the possible challenges of assessment, the global community should demand verifiable results of these socioeconomic interventions. If microcredit is empirically proven to lead to socioeconomic development of poor individuals, foreign aid maybe more efficiently allocated to support viable microcredit operations. Furthermore, such impact assessment would also create a more competitive market for microcredit, thereby hopefully eliminating “loan-shark” type credit organizations that tend to simply use microcredit as a profit-making scheme, ignoring the social responsibilities and expectations attached to the traditional microcredit concepts.

As previously mentioned microcredit practices is clearly having an impact on millions of poor people around the world. The Grameen Bank’s accomplishments, along with those of similar institutions should be highly applauded. However, these accomplishments must also be investigated, measured, and quantified. The global community cannot afford to lend money practices that have not been tested and proven for success. Poverty alleviation is a serious matter that without sound assessment may have dire consequences at the grassroots level. We need to know that the poor people that we desire to help, whose socioeconomic standings we aspire to improve, are actually feeling experiencing these improvements.

## APPENDIX A

### Features and Details of Loans Extended by The Grameen Bank

There is an exclusive focus on the poorest of the poor.

Exclusivity is ensured by:

- establishing clearly the eligibility criteria for selection of targeted clientele and adopting practical measures to screen out those who do not meet them
- in delivering credit, priority has been increasingly assigned to women
- the delivery system is geared to meet the diverse socio-economic development needs of the poor

Special loan conditions that are particularly suitable for the poor.

These include:

- very small loans given without any collateral
- loans repayable in weekly installments spread over a year
- eligibility for a subsequent loan depends upon repayment of first loan
- individual, self chosen, quick income generating activities which employ the skills that borrowers already possess
- close supervision of credit by the group as well as the bank staff
- stress on credit discipline and collective borrower responsibility or peer pressure
- special safeguards through compulsory and voluntary savings to minimize the risks that the poor confront
- transparency in all bank transactions most of which take place at centre meetings.

## APPENDIX B

### Stipulations and Evaluation for Economic & Social Progress

#### 10 Indicators to Determine Crossing the Poverty Line

A member is considered to have moved out of poverty if her family fulfills the following criteria:

1. family lives in a house worth at least Tk. 25,000 (twenty five thousand) or a house with a tin roof, and each member of the family is able to sleep on bed instead of on the floor.
2. Family members drink pure water of tube-wells, boiled water or water purified by using alum, arsenic-free, purifying tablets or pitcher filters.
3. All children in the family over six years of age are all going to school or finished primary school.
4. Minimum weekly loan installment of the borrower is Tk. 200 or more.
5. Family uses sanitary latrine.

6. Family members have adequate clothing for every day use, warm clothing for winter, such as shawls, sweaters, blankets, etc, and mosquito-nets to protect themselves from mosquitoes.

7. Family has sources of additional income, such as vegetable garden, fruit-bearing trees, etc, so that they are able to fall back on these sources of income when they need additional money.

8. The borrower maintains an average annual balance of Tk. 5,000 in her savings accounts.

9. Family experiences no difficulty in having three square meals a day throughout the year, i.e. no member of the family goes hungry any time of the year.

10. Family can take care of the health. If any member of the family falls ill, family can afford to take all necessary steps to seek adequate healthcare.

### 16 Decisions

1. We shall follow and advance the four principles of Grameen Bank --- Discipline, Unity, Courage and Hard work – in all walks of our lives.
2. Prosperity we shall bring to our families.
3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.
4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
5. During the plantation seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
7. We shall educate our children and ensure that they can earn to pay for their education.
8. We shall always keep our children and the environment clean
9. We shall build and use pit-latrines.
10. We shall drink water from tube wells. If it is not available, we shall boil water or use alum.
11. We shall not take any dowry at our sons' weddings, neither shall we give any dowry at our daughters wedding. We shall keep our centre free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.
13. We shall collectively undertake bigger investments for higher incomes.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.
15. If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.
16. We shall take part in all social activities collectively.

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# The Domestic Causes and International Consequences of the U.S. Government's Sugar Price Support Programs

*By SHANNON ANDERSON*

## Introduction

Life-long farmer Thomas Jefferson prioritized agriculture in his presidential administration because he envisioned a nation of yeoman farmers laboring upon the fertile New World soil, nourishing the nascent American society with the food they produced. Today, nearly two hundred years removed from the lifetime of Thomas Jefferson, the goal of supporting this noble profession has spawned several agricultural price support programs. However, these numerous programs seem to have a convoluted rationale and, at best, questionable justifications in today's neo-liberal trade climate. In fact, they seem to fly in the face of both classical Liberal economic theories and the American tradition of the Protestant work ethic. Facing fierce opponents and equally fierce advocates, the programs are indeed beneficial to farmers; however, they come at a high cost to others. Through a look at government intervention in the sugar sector, this paper seeks to answer several questions: Why support sugar? What are the consequences of this support, both in America and abroad? And finally, when did this practice begin, and is there any foreseeable end?

## Background

In order to understand the debate over sugar price support programs, it is necessary to understand what tools are used to enact these programs. Contrary to popular belief, there are no direct subsidies to sugar farmers. Instead, a complex system of price support loans and tariffs are employed by the United States government to manipulate domestic market sugar commodity prices to keep them among the very highest anywhere.<sup>1</sup> The simplest way to describe the loan system is as a means to keep the price of U.S. sugar high, and the easiest way to describe the tariff system is as a means to create barriers to competition which would result in bringing those artificially-high domestic prices back down to international market levels.

### Program Mechanisms

According to the USDA Economic Research Service (ERS) website, the loan program for domestic sugar producers is implemented via USDA-administered discount loans that are twenty percent below market interest rates. The program thus gives financial benefits to domestic sugar producers through this discount loan program in the form of savings on interest payments. The loans are "non-recourse," meaning that the government must accept sugar as a payment in the event that a processor defaults on their loan. Such forfeitures result in the Commodity Credit Corporation, the USDA's agricultural price stabilization branch, receiving tons of surplus sugar. However, the forfeiture of sugar to the



government is avoided at all costs, as it will result in either wasted sugar or excess sugar on the market that serves to depress prices for all U.S. sugar producers, thereby negating the intended price-bolstering effects of the loans. This means that the government must take action to keep the domestic market price of sugar at a price that allows U.S. sugar producers to repay their loans and make a profit. This target price is known as the *market price objective*.<sup>2</sup>

To achieve the market price objective, the USDA administers a sugar import-restriction program known as tariff-rate quota system (TRQ). Under this system, the Secretary of Agriculture sets an aggregate sugar import limit to which a limited tariff will be applied for all countries that import sugar to the U.S. Once a country reaches its import limit, that country must pay a second, higher tariff on all additional sugar it wishes to send into U.S. markets.<sup>3</sup> These secondary, higher tariffs collectively serve to limit sugar imports to the U.S. The economics behind this are increases in foreign sugar producers' costs of exporting their product to the U.S. because of the secondary tariffs, resulting in a smaller supply of sugar on the domestic commodity market. The restricted supply raises domestic sugar prices, allowing farmers to get the sort of revenue needed to repay the sugar support loan program. Thus, the TRQ program creates a commodity climate which favors the repayment of sugar support loans through higher profits to sellers in the domestic market.

In addition to discounted rate loans and the TRQ system, sugar price support programs include limits on what domestic producers can grow.<sup>4</sup> In this restricted-output context, a situation arises that is analogous to a scarcity with higher prices resulting in diminished supply. These higher prices, much like the TRQ secondary tariffs, help to ensure that farmers can repay their loans as well as contribute to the program's financial benefit to farmers.

### Program History

The federal government has operated variations of sugar price support programs for over 72 years. While this may seem like a relatively short period of time for the government to be involved in the sugar sector, it is slightly misleading because the government has, in fact, been involved in the economics of domestic sugar production in one way or another since the United States' inception over 230 years ago.<sup>5</sup> The website for the American Sugar beet Growers Association says that the first tariff on sugar imports was imposed by the U.S. in 1789, for the purpose of generating federal revenue, and tariffs on sugar imports have continued virtually without interruption ever since.

The same website summarizes the government's relation to the sugar growing community nicely: "The nature of intervention in sugar marketing changed significantly near the end of the 19<sup>th</sup> century as the rationale for high sugar tariffs shifted from generation of revenue to protection of a domestic industry."<sup>6</sup> It was not until a hundred years later, in 1890, that the rationale behind tariff policies began morphing from revenue generation to protection of domestic sugar producers. This policy intention remains a shaping force of today's interventionist sugar price policies. The traces of America's current system go back to 1934 with the introduction of import quotas that allocated specific quota amounts to different trade partners, such as Mexico and Jamaica. These policies, which sugar producers rationalized as necessary for the protection of domestic producers in an increasingly flooded and price-depressed international market, continued through the 1960s.<sup>7</sup>

The international sugar surpluses of the early 1970s convinced Congress that sugar price support programs were no longer necessary. Consequently, Congress did not renew the legislation authorizing the price support programs. Ironically, the years immediately following the expiration of this legislation saw a sharp rise in international sugar production. Congress rushed to reinstate price support programs for the crop, known as the Food and Agriculture Act of 1977.<sup>8</sup> Through this act, loans became an integral part of the sugar price support programs, and the tariff system took on new importance in maintaining the sugar price floor, or market price objective. Again, according to the American Sugar beet Growers Association website, the new legislation reinstated import restrictions to protect sugar support loans: “To encourage processors to sell their sugar in the marketplace rather than forfeit it to the Commodity Credit Corporation (CCC), import duties and fees were used to maintain the domestic sugar price at a level called the market price objective.”<sup>9</sup>

## **The Current Debate**

### **Domestic Consequences**

Price support advocates and legislators call the current system of sugar price support a “no-cost” policy. In fact, in the Food, Conservation, and Energy Act of 2008, Congress mandated that the USDA continue to operate sugar price support programs at no cost, just as they had been required to operate these programs under the provisions of the Farm Security and Rural Reinvestment Act of 2002.<sup>10</sup> Others counter that these programs *do* have a cost, namely American consumers paying \$1.4 billion dollars in higher sugar costs.<sup>11</sup> In fact, both arguments are correct, although the former argument is misleading because it only takes into account net government outlays and ignores costs incurred to any entity outside of the government. So while it is true that the government does not allocate any of the federal budget towards sugar programs in the form of direct subsidies, there are two costs associated with the sugar price support programs that are difficult to trace, and for this reason, tend to fly under the radar.

The first cost constitutes what economists call a *transaction cost*. Any action taken on the part of the government has an implicit associated cost. Although it may not be immediately obvious, as is the case at hand in which government outlays have a net value of zero, the creation and administration of the sugar commodity support system does cost taxpayers because of the cost associated with employing those who implement the programs. Thus, any government policy, including the sugar price support programs, costs money to implement, and therefore, cannot be accurately described as “no-cost.”

The second effect not accounted for is that the additional cost paid annually by American consumers in the form of higher sugar prices that result from the sugar price support system. In fact, the very goal of the sugar price support programs is to raise the domestic price of sugar. The 2008 Farm Act, for example, prohibits domestic human consumption of excess sugar that has been forfeited to the CCC – these excess sugar stocks must be converted into ethanol instead.<sup>12</sup> Were these excess sugar supplies added to the domestic sugar market, prices would of course decrease and it is this precisely what this provision of the 2008 Farm Act seeks to prevent. According to various sources, this and other program provisions amount to an estimated \$1.4 billion dollars in the form of higher food prices for U.S consumers.<sup>13</sup> This is easy to miss because this particular cost does not come out of the consumer's income in the form of taxes paid to the government, but rather

in the form of a higher food bill for the consumer. By artificially inflating prices, sugar support programs force higher prices on the consumers, creating a similar effect to a sugar excise tax.

An additional cost of the program is what economists call a *negative externality*: the cost of environmental degradation inflicted on the Florida Everglades by pollution from the local sugar industry.<sup>14</sup> Through their creation of artificially high sugar prices, the government's sugar support policies create incentive to join the sugar industry, resulting in an overabundance of sugar producers. These superfluous producers near the Florida Everglades, some argue, produce run-off that creates an environmental disaster with a \$400 million to \$700 million clean-up cost.

Furthermore, the sugar price support system promulgates yet another cost in allowing the growers of corn – which can be processed into sugar substitutes like high fructose corn syrup – to undercut sugar prices by a few cents to make a big profit.<sup>15</sup> Americans have steadily increased their consumption of high fructose corn syrups since Japanese researchers first developed a method to use corn to produce this sugar substitute in the 1970s. Following this discovery, soda, candy and other food manufacturers raced to use this cheap sugar substitute in their products. The health effects of consuming sugar versus consuming corn syrup are highly debated. Opponents of the corn-derived sweetener point to some potential health hazards of high fructose corn syrup. For example, a website for the Weston A. Price Foundation, a non-profit organization that advocates policies that encourage a healthier diet, makes the charge that the high levels of fructose contained in the syrup prevent the effective absorption of copper, a mineral necessary to form collagen and elastin: “High fructose corn syrup (HFCS) began to gain popularity as a sweetener because it was much less expensive to produce... Thus, with almost twice the fructose, high fructose corn syrup delivers a double danger compared to sugar.”<sup>16</sup> Others, like the University of British Columbia's Garry Yang, go even farther in inveighing against high fructose corn syrup, claiming, as Yang does, that “it is no coincidence that the emergence of HFCS usage in food is shadowed by the increase in obesity worldwide.”<sup>17</sup>

In addition to complaints about the negative health effects brought about by the sugar price support programs, opponents claim that these programs perpetuate a manipulation of our democracy as the sugar lobby buys votes for legislation that favor these programs in exchange for generous campaign contributions to members of Congress.<sup>18</sup> Proponents of this particular critique note the \$11.9 million contributed by sugar-producing interests to congressional campaigns between 1979 and 1995.<sup>19</sup> They also point to the “enormous political clout” of the “formidable lobbying machine” of sugar producers.<sup>20</sup> Further supporting their claim is a bit of interesting anecdotal evidence from the Reagan era. Fearing that the “efficient sugar-producing nations of the Caribbean and Central and South America” would “quickly seize upon open markets in North America and Europe for their exports” in the event of sugar trade liberalization, U.S. sugar producers “secured key positions on the USDA advisory committee” and sent a lobbyist all the way to Geneva to monitor and influence the General Agreement on Tariffs and Trade negotiations.<sup>21</sup> While there may be a correlation between a candidate's support for legislation that benefits sugar producers and those same sugar producers' contributions to said candidate's campaign funds, it is difficult to prove causation. Nevertheless, this relationship between campaign contributions and legislation that favors contributors is a compelling one, and can be pointed to as likely reason for the continued existence of sugar price support programs.

Leveling another charge against the sugar price support system is Fran Smith of

the Competitive Enterprise Institute, who cites a U.S. Department of Commerce study from February 2006 which “found that limiting sugar imports was ‘a major factor’ in the loss of 10,000 jobs in candy manufacturing.”<sup>22</sup> Smith has a compelling point: by causing inflated sugar prices – a staple of the candy manufacturing process – government price support programs diminish the amount of candy that producers can afford to manufacture. While a diminished output of candy would seemingly reduce obesity, the calories saved through reduced candy consumption are reappearing in thousands of food products in the form of cheap corn syrup, ultimately resulting in a net gain in calories and an increase in obesity rates. Furthermore, getting to the heart of Smith’s argument, thousands of candy manufacturing jobs are lost as a consequence of sugar price support programs.

The domestic consequences of the sugar price support programs are varied and often difficult to pin down. Undoubtedly, these programs serve to provide benefits to some – namely, domestic sugar producers. The more interesting and compelling issue is the one of costs, not the one of benefits. There is no debate over the fact that the programs do have highly concentrated benefits and widespread costs, with only one percent of sugar growers receiving 43 percent of the benefits of the price support programs.<sup>23</sup>

### **International Aspects**

Turning from the domestic aspects to the international aspects of America’s sugar price support system, many interesting questions arise. First, do domestic sugar price support programs have a deleterious effect on foreign sugar farmers? Second, how do these programs fit into international trade agreements like NAFTA and GATT? And lastly, do such trade agreements put pressure upon the U.S. government to liberalize their trade policies with respect to sugar?

Protectionist policies have made their way into the Central American Free Trade Agreement, the North American Free Trade Agreement and the General Agreement on Tariffs and Trade. In fact, in a challenge to the quota system administered by the U.S. Department of Agriculture, Australia successfully brought a claim against the U.S. in 1988 under GATT, alleging that U.S. sugar import quotas were a violation of GATT rules:

The GATT Council had found that the complex system of U.S. quotas imposed on foreign exporters of sugar to the U.S. market was a violation of GATT Article XI because it contained quantitative import restrictions. In other words, the U.S. sugar program assigned specific quotas, in tons, to dozens of nations that export sugar to the United States. To get around the problem, [the U.S.] simply reorganized the quota system into a tariff-rate system. Each country that had a quota to export sugar to the United States was allowed to export a certain number of tons virtually free of any tariff, but once that limit was reached a very high tariff (16 cents a pound for raw sugar) would be imposed, effectively barring additional exports.<sup>24</sup>

This explains the reasoning behind the switch from a quota system with minor associated tariffs to the TRQ system that was discussed above in the Program Mechanics and Program History sections. The TRQ system, while charging nations like Australia hefty additional tariffs for any imports that exceed their quotas, is a victory for sugar exporting nations who can now sell more sugar in the American market and consequently receive prices that are two to three times that international market rate.<sup>25</sup>

In addition to GATT, other international trade agreements compel the United States to liberalize their policies for sugar imports. The World Trade Organization's Doha Development Agenda is one of these forces. It seeks to make developing countries part of the world trading system through reform of protectionist agricultural policies. The United States is not the only one feeling the pressure. The European Union is also under considerable pressure, especially from developing countries involved in the Doha negotiations, to substantially reduce their domestic agricultural subsidies, which the WTO calls "trade distorting."<sup>26</sup> Such forces run up against the desire of sugar farmers and their boosters in Congress to maintain America's long-standing sugar price support programs.

Despite charges of selectivity, and even hypocrisy, in its advocacy of trade liberalization, the United States does face a number of complicating factors in its considerations regarding trade liberalization. Among these is the fear that "eliminating the sugar programs would be a form of 'unilateral disarmament,' leaving the U.S. with no leverage to convince European states to do away with their own trade-restrictive sugar import policies."<sup>27</sup> Additionally, U.S. participation in NAFTA has come along with challenges from Mexico to sugar price support programs. On January 1, 2008, under the provisions of NAFTA, all tariffs and customs duties for sugar trade between the U.S. and Mexico were lifted. Prices of sugar in the U.S. domestic market were expected to drop due to this anticipated influx of Mexican sugar. In an attempt to confront the consequential threat to their revenue, U.S. sugar producers successfully lobbied Congress to include in the 2008 Farm Act a provision that would allow the CCC to in effect purchase enough domestically-produced sugar to maintain the supply levels that existed prior to the January 2008 increase in sugar imports from Mexico. The effects of this provision have been hard to gauge because of a February 2008 fire that destroyed a sugar refinery plant in Port Wentworth, Georgia whose products accounted for a significant share of the U.S. domestic sugar supply. Despite the NAFTA-generated increase in Mexican sugar imports, the loss of U.S. sugar refinery capacity made sugar supplies become scarcer, allowing for domestic sugar prices to remain at previous levels. Without the anticipated drop in price levels, the CCC was able to avoid purchasing excess sugar stock. It will therefore still be some time before the combined impact of increased Mexican sugar imports and CCC purchasing of excess domestically-produced sugar supplies can be measured, but it has been reported that the Congressional Budget Office estimates that this will result in \$660 million cost.<sup>29</sup> It will be interesting to see how the USDA will offset this anticipated cost given the 2008 Farm Act provision which mandates that sugar price support programs operate with no net change to government outlays.

### **The Future of Sugar Price Support Programs**

American agricultural price support programs, specifically those in the sugar sector, continue to exist because of strong political support in Congress. The reasons behind this support seem to be a robust lobbying effort on the part of sugar producers. Stemming from these programs are several domestic and international consequences: government-granted financial benefits to sugar growers which are subsidized by consumers via increased sugar and food prices, high domestic consumption levels of health-harming high fructose corn syrup, and a hypocritical and selective international trade liberalization policy. Despite some challenges from the international trade community, Congress' century-old support for sugar prices is unlikely to significantly change course in the foreseeable future.

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# “Peace at Home, Peace in the World”\*: The Rise and Role of Nationalism in Turkish Political Life

By *MORGAN BEACH*

*“Only by grasping the power of nationalism and the continuing appeal of national identity through their rootedness in pre-modern ethnic symbolism and modes of organization is there some chance of understanding the resurgence of ethnic nationalism at a time when ‘objective’ conditions might appear to render it obsolete. Without such understanding, we shall remain bewildered onlookers of unpredictable political dramas in a world of contradictory trends and antagonistic forces.”<sup>1</sup>*

## Nationalism in a Globalized World

There have been many arguments over recent years regarding the role of nationalism in an ever-globalizing world. Is nationalism becoming irrelevant? Will the nation become a political entity of the past? Or has increased global cohesion caused an increased affinity to a local identity? While the specifics are still debated, most observers point to one fact: nationalism and its political harbingers are stronger than ever. Anthony D. Smith, Professor Emeritus at the London School of Economics asserts:

“In particular, we are witnessing a rebirth of ethnic nationalism, of religious fundamentalisms and of group antagonisms which were thought to have been long buried. Ethnic protests for autonomy and secession, wars of national irredentism and explosive racial conflicts over labour markets and social facilities have proliferated in every continent. In the era of globalization and transcendence, we find ourselves caught in a maelstrom of conflicts over political identities and ethnic fragmentation.”<sup>2</sup>

These ethnic nationalisms are generally thought to provide and maintain a solid identity for groups who otherwise see their cultural distinctiveness slipping away into what is, in many cases, a homogenous Westernization. Many scholars see globalization as the destruction of national identity and a threat to nation-states, particularly with respect to the growth of the internet and mass media. This is not the case. The international resurgence of tribalism and ethno-nationalism in recent decades is a testament to the spirit of ethno-national affinity in the modern world. Globalization removes the *artificial* bonds of ever changing political borders in favor of restoring the *natural* bonds of regionalism,

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\*“Peace at Home, Peace in the World” is the official motto of the Republic of Turkey coined by Mustafa Kemal.



ethno-nationalism and populism. Globalism is restoring world order, not dismantling it. Nationality is no longer the strongest communal tie of many of the world's citizens today. Kurds, Palestinians, and Tibetans are all such political entities. This is the development of organic bonds; an affiliation and identity of the citizen's *choice*. Globalization fosters this choice of community association and, by effect, is strengthening nationalistic connections.<sup>3</sup> Formal socialization weakens trust and responsibility in many cases because it is inorganic. The response to global communities is this rise of both ethno-nationalism/tribalism *and* simultaneously cosmopolitanism.<sup>4</sup> Citizens can belong to several groups, transcending traditional categorization of regional/global and homogenous/diverse.

The growth of a global culture has certain recognized benefits for international cooperation and modern life, but it has also caused a massive upheaval of traditional social norms. Smith contends that so many people cling to the idealisms of national identity because:

“In this unprecedented situation, nations and nationalisms are necessary, if unpalatable, instruments for controlling the destructive effects of massive social change; they provide the only large-scale and powerful communities and belief systems that can secure a minimum of social cohesion, order and meaning in a disruptive and alienating world.”<sup>5</sup>

We must put this theory into practice. One nation that has a highly nationalistic culture with both the popular support and legal means to back it up is modern day Turkey.

### **A Brief History of Modern Turkish Identity**

In order to provide a background for the concepts outlined in this paper, I will briefly describe Turkish culture and history, and share some of my personal experiences that contributed to my interest in Turkish identity. During my brief tenure at Yeditepe University in Istanbul, studying in the International Political Science Faculty, I gained a wealth of knowledge about Turkish patriotism. In my experience, almost any Turk is willing to sit down over tea, Turkish coffee and nargile and discuss the modern state of Turkish or international affairs. Every Turk I came across had clear and decisive opinions on current events and history. Although they rarely agreed on political matters, their views all came from a fierce sense of patriotism and Turkish identity.

Turkey, as it is known now, has not always been the proud nationalist state we see today. Before the Republic of Turkey was officially established in 1923, the region was the core of the Ottoman Empire. Modern day Istanbul was known as the great city of Constantinople under the expansive reach of the Ottomans, and 623 year prior it was known as Byzantium, the jewel of the Byzantine Empire. One thing has remains constant: Istanbul and Anatolia (modernly central Turkey) have been the crucial areas as a core to controlling periphery of this region. Turkey's long storied history culminates with a country longing to play a role on the global stage, and more specifically, in the Western world.

The Turkish Republic has been a regional power devoted to the tenets of liberal democracy since its inception in the early 20<sup>th</sup> century. Turkey has been an encouraging example, leading the East in the development of a globalism favoring a free-market and democratic international system. Turks have identified with a complicated dichotomy of adopting Western political behavior but Eastern culture for decades. In truth, Turks have had a hard time placing themselves in any one region or culture for a considerable amount

of time. Different regimes over the centuries have called Turkey a European, Middle Eastern, Eurasian, Mediterranean or Balkan country. Depending on the benefits of affiliation at the time, Turkey is a chameleon with only one true identity: uniquely Turkish. The founding architect of modern Turkish identity is one man whose idealism is legendary in his mother country of the Republic of Turkey: Atatürk.

Literally meaning “Father of the Turks” in Turkish, Mustafa Kemal “Atatürk” was an Ottoman General who gained military and political notoriety during the Battle of Gallipoli during WWI. After the dismantling of the Ottoman Empire, he devoted his life to re-establishing a pan-Turkish identity for those in the newly established state. More than any other objective, Atatürk sought to unify Turkey under a regime of modernization, democracy and development. The Republic of Turkey was officially established with the ending of the War of Independence, fought in 1923 against the Allies who had taken control of the region after WWI.

Atatürk’s particular political ideology, known as “Kemalism”, has two key doctrines: modernization and democratization. While various other theoretical tenets contribute to these applied principles today, virtually all of current Turkish political moves have a base in one of these two canons.

### **Kemalist Principles of Modernization**

There are six basic principles of Kemalism which have been formed around the objectives of modernization of the Turkish state and society. These principles were incorporated into the Turkish Constitution in 1924 during Atatürk’s Presidency and reformed and developed over the decades. The Turkish Constitution was rewritten and ratified in 1961 and again, most recently, in 1982. The six principles are as follows:

1. Republicanism— Only a republican regime can establish national sovereignty. This principle enjoys widespread acceptance and protection under the latest Turkish Constitution.

2. Nationalism— Several key factors to Turkish nationalism make up a unique and integral part of Kemalism. Kemalist nationalism is secular, which separates Turkey from many of its close Middle Eastern neighbors which base much of their nationalism on religious affiliation. Kemalist nationalism is also anti-imperialist and generally unconcerned with race or ethnicity. According to Kemalist ideology, one’s identity is not determined by religion or race but by devotion to the ideals and goals of the Turkish republic and commitment to Turkey’s independence and modernization. Kemalism was characterized by this fidelity to nationalistic beliefs as well as its acceptance of certain outside ideas, methods and legal codes from around the world. Kemalist nationalism aided in the growth of democratic institutions and the opening of Turkish society by promoting the idea that the more outside ideas they brought in, the more they could achieve ascendancy in the global order. This anti-persecution version of nationalism is not absolute, however, as in cases of the Kurds to be discussed later.

3. Populism—Populism in Turkish policy is possibly the most salient tenet of modern constitutional principles. Kemalism is devoted to “bottom-up” reform and defines itself as a people’s program. In the beginning of the modern Turkish state, populism allowed Atatürk to unite the country under one viable and encompassing ideal. Current interpretations of populism in Turkey accept the reality of social-economic class differences

but strive to reduce social tension and raise perceptions of the overall standard for the lowest classes.

4. *Étatism*—Government regulation of the Turkish economy is still prevalent today, but not nearly as pervasive as during the early part of the 20<sup>th</sup> century. In the absence of development standards at the beginning of the modern Turkish republic, a liberal economic market nearly failed the country before the state stepped in, raising the standards of business, manufacturing and trade. In many cases, this move was feared as a step toward socialism but the state-controlled entities emerged in the early decades after the implementation of government regulation as a key source of economic activity in the country and grew private entities as a result.

5. *Secularism*—Many changes were made during Atatürk's administration to bring about secularism. Atatürk and the Turkish intelligentsia saw politically active religious organizations as a hindrance to modern reformism. To these reformists, secularism was "the line of demarcation between traditionalism and reformism."<sup>6</sup> On top of the formal separation of church and state, Kemalists also took control of all religious establishments in order to absolutely ensure this separation. The 1961 Constitution devoted much legal protection to secularism and it was reaffirmed in the 1982 ratification. The elections of 2007 brought a party into power that is attempting to remove these legal protections and increase the role of Islam in Turkey's national government. The ruling AK Party had charges filed against it claiming "the party had become a focal point of anti-secular acts."<sup>7</sup> This case will be discussed further at the end of the section.

6. *Devrimcilik (Reformism-Revolutionism)*—The contemporary interpretation of this Turkish paradigm is as a continuous commitment to adaptation of Kemalist principles and national ideals with a goal of maintaining modernization of the state. It is basically a principle instilled to maintain the pre-eminence of Kemalism politically while allowing for adaptation with changing times and flexibility to current events.<sup>8</sup>

This paper focuses on two Kemalist constitutional principles: nationalism and secularism. In terms of the criticism of Turkish nationalism, there are two clear contemporary examples of its continual need for development: the current state of Kurdish affairs in Southern Turkey and the recent international dispute over Turkish denial of the Armenian Genocide of 1915.

Turkish nationalism, overall, claims to be racially and ethnically blind, gauging one's "Turkishness" through devotion to modern Turkish ideals rather than heritage. While in many cases this is true, one essential case where it fails is that of the Kurds. Ethnically Kurdish peoples reside in the southern parts of Turkey, northern Iraq, western Iran and eastern Syria— an area often referred to as 'Kurdistan.' The Turkish military has clashed with Kurdish militants many times since the dismantling of the Ottoman Empire, but the most recent conflict began in October 2007, when the Kurdistan Worker's Party (PKK) began attacking Turkish soldiers in the southeastern part of Anatolia. The rebels, who advocate the establishment of an independent Kurdish state in southern Turkey, capitalized on instability in northern regions of Iraq and began launching attacks on Turkish army convoys. When the U.S. armed forces in Iraq were unable to control the attacks, Turkey launched air strikes targeting mountainous regions in Iraq where PKK leaders were reportedly hiding. The air strikes continued through the summer of 2008. There have also been bombing and protests in both southern Anatolia and Istanbul supporting separatist movements and decrying the recently elected national party. Despite advances

toward establishing freedom of expression the last few decades in Turkey, statements demeaning Atatürk in particular or the Turkish identity in general are still outlawed. Many see this law as discriminatory towards Kurds. The Turkish government views Kurdish efforts to liberate the southern region of Anatolia as “anti-Turkish,” this ethnic group has born the brunt of many years of constitutionally-imposed oppression founding in Turkish nationalism.

Proponents of Kemalism contend that it “is not a persecuting nationalism... [with] no neurotic rejection of responsibility for the past.”<sup>9</sup> This assertion is challenged by Turkish responses to the Armenian Genocide of the early 20<sup>th</sup> Century. While the Republic of Turkey is not responsible in a strict political sense for the Armenian Genocide of 1915 (which occurred under the Ottoman Empire), Turkey provoked controversy in the world of international affairs in the fall of 2006 by denying that the genocide ever took place. France particularly took an interest in the matter, announcing that they would block any Turkish applications to the European Union until the Turkish government recognized the massacres as genocide. Protests broke out across Turkey in response to the French declaration, calling for a boycott of French goods and denouncing France as interfering in the sovereignty of Turkish national issues.

Another modern challenge to Kemalism is a perceived attack on secularism in Turkey today. The lawsuit against the AK Party concerning its promotion of anti-secular acts, such as removing the ban on headscarves in government buildings and universities, has become an all-out war of words. Although the battle is being waged more in the press than in the courts, the implications for free speech and separation of religion and state are clear. The difficulty for Turkey is the decision of which principle to back. The AK Party believes in the incorporation of Islamic principles into government, and ardent Kemalists believe this will be the end of Turkey’s democracy. The Court ruled that the AK Party should no longer receive public funds for campaigns based on their views on secularism but that otherwise their actions are still constitutional under the provisions of separation of religion and government. Overall, these principles provide a solid model for a function democracy in today’s world.

### **Stateless Nationalism and Separatism: Kurdistan**

The condition of Kurdish affairs had been a roller-coaster of failed attempts to attain liberation and international sympathy over the years. Kurds have enjoyed a certain amount of autonomy within Turkey, something certainly no other minority group has achieved. Their geographic cohesion and homogeneity allowed for consistent, semi-autonomous control of their region throughout most modern conflicts over the area. Although Kurds bear the brunt of Turkish scrutiny, the group does have official representatives in the Turkish parliament and are mostly free to forge their own identity within the larger scope of Turkish statehood.<sup>10</sup> During the 1990s, a time of relative peace for the area, the Kurds “succeeded in translating their geo-political centrality into an unprecedented degree of international recognition.”<sup>11</sup> The PKK and its related political agenda has been the largest detriment to the achievements of this cultural community by political standards because of their many violent acts.

The group’s militant stance on political goals has complicated de facto Kurdish self-governance in Turkey. As mentioned earlier, the PKK has capitalized on the recent instability in peripheral regions and used this to launch attacks on military outposts and civil-

ians in southern Turkey. The massive increase in the urban poverty of the region in recent years has contributed to this latest increase in radical movements towards separatism. One author notes:

Turkey's number two general admitted recently that while the country's military campaign has so far been successful in combating the PKK, Turkey has been 'unsuccessful' in dissuading a new generation of Kurds from joining the insurgent group. In 2006, Turkish military intelligence reported that 40 percent of the estimated 3,000 militants in northern Iraq had joined up since the PKK declared a five-year ceasefire in 1999. In Diyarbakir, locals talk of at least 150 teenagers who have enlisted this year. In Yuksekova, a town of 100,000, six have joined in the last month. ... Only a decade ago Diyarbakir had a population of roughly 350,000. Now the city has nearly 1.5 million inhabitants, with upwards of 90 percent of families in some districts living below the poverty line. 'What future do these children have?' one local journalist asks. 'Crime, the PKK, radical Islam.'<sup>12</sup>

Rapid population growth, coupled with a slowing economy in the country, has contributed to increased dissatisfaction with government responsiveness. The latest result was the 2007 election of an anti-secular national party. But none have been as vocal as Kurdish insurgents. Despite the many advancements in Kurdish liberty since the 1980s (prior to 1980, everything from Kurdish language to Kurdish names were outlawed in favor of building national unity), regional political instability is obviously again fueling the fire of Kurdish insurgency, prompting increased repression from Ankara.

Even on a global scale, external factors such as regional warfare and insurgency coupled with internal political change have contributed to the phenomenon of stateless nationalism (Kurds, Palestinians, etc.). Chaotic domestic situations can contribute to upsurges in cultural/ethnic/regional identity. Since the Kurds have had the ability under Turkish rule to develop such a well-defined and homogenous culture, it makes sense that they cling to Kurdish identity in increasingly anarchistic times.

### **The Kurdish Question as a Domestic Policy Issue**

After the Turkish War of Independence, Turkish negotiators of the Treaty of Lusanne<sup>13</sup> refused, on Kemalist principle, to acknowledge ethnic minorities as minorities.<sup>14</sup> Kemalism as a cohesive ideology was based on a central ethno-nationalism: Turkish. Turkishness was not gauged by family history, but by commitment to the Turkish state. Kurds, as a well established and outspoken minority in southern Anatolia, were the greatest threat to this new policy stratagem.

Ankara has deployed military measures dozens of times to suppress Kurdish uprisings in the south, but perhaps the most influential domestic policy was the policy instituted banning traditional Kurdish dress and official use of the Kurdish language.<sup>15</sup> Turkish forenames were added to the given names of all Kurdish children and the names of Kurdish locales were Turkified after the laws institutionalization. Although this policy was instituted in the 1940s and many of the practices have fallen by the wayside through the decades, large parts of it remain in effect and enforced today. In February 2009, a member of the Turkish parliament caused a general uproar when he took the podium and began addressing the assembly in the Kurdish language in protest of the air strikes in Diyarbakir, a practice still outlawed and outrageous in any official government setting.<sup>16</sup>

From these sorts of incidents it remains clear that the greatest threat to the independent Turkish state as it currently exists has always been and still is the rise of Kurdistan.

The new generation of PKK recruits gathered in impoverished Anatolian towns are causing increased violence and instability in this ‘oasis’ of calm in the region. A resurgence of Muslim identity is turning Turkish policy to previously unseen extremes. Domestic restraint of Kurds has led to foreign policy complications as PKK members launch attacks from over the Iraqi border. As always, the resource rich southern provinces of Anatolia that constitute part of Kurdistan are unlikely to simply be handed over with the blessing of the Turkish ruling party. Particularly, the Diyarbakir province where affiliation with the PKK is especially strong holds large mineral deposits and an oil pipeline crucial to Turkey’s economy.

This author believes that the increased PKK aggression forces Turkey to make drastic changes in order to assuage Kurdish unrest. Either cede autonomy of the southern provinces to Kurds in Anatolia or redraft its acknowledgment of ethnic minorities and become a less ‘ethno-nationalistic’ centered state.

### **Implications of Turkish Nationalism for American Foreign Policy**

While scholars of international affairs can garner many insights into Turkish life from studying the politics of nationalism, is it difficult to develop overarching theories or generalities about nationalism in general. Turkish national unity was pursued so aggressively and single-mindedly by early Kemalists that modern relations must be filtered through a special Turkish filter and general assumptions adjusted for Turkish analysis. Policy has been consistent in its “pattern of unity-authority-equality” through the decades, with most modifications in line with the principle of devrimcilik—adaptation through the ages.<sup>17</sup>

Kemalism in Turkey allowed for the reaffirmation of Turkish identity and the strong development of national pride and patriotism over the decades. In due course this became an example of the reemergence of ethnic nationalism as a tool of international relations in a global world. As one scholar of nationalism and global identity asserts, “It is modernity and the so-called ‘post-modern’ era that will pass away, while nations remain as the bedrock of human society.”<sup>18</sup> Trends in international relations are just that: trends. States and nations have consistently been the key actors in political life for hundreds of years. Identity contributes directly to the success of nation-states, as the center of political life.

One question logically follows after the discussion of the components of political ideology in Turkey, how does this apply to the United States? Turkey has widely been seen as “an oasis of stability in a fragmented and uncertain region, a view which has added to the prominence accorded it in post-Cold War NATO politics.”<sup>19</sup> Turkey has become a crucial military ally for the United States in recent decades. The United States is interested in fostering a positive relationship with a West-leaning predominantly-Muslim country that could serve as a model for neighboring Muslim nations to follow. Although Turkey’s particular brand of secularist democracy never expanded to its Middle Eastern counterparts but has remained unwavering within its own borders. Not only the Middle East, but Turkey’s other neighbors in the Balkans, the Caucasus, and Central Asia have all sunk into internal conflict and international turmoil since the end of the Cold War while Turkey

has continued through relative calm. Turkey maintaining its rare blend of stable, democratic, secular, and pro-Western rule has made it an indispensable partner for the United States in Eurasian affairs.<sup>20</sup>

In terms of U.S. foreign policy, Turkey's domestic policy choices have caused complications for the U.S. lead military initiative in Iraq. The simultaneous inability of Turks to control the PKK in southern Turkey and the U.S. inability to control northern Iraq has created a precarious situation for all three nations. However, as an ally in a region where friends are sparse and Western support is even more so, the U.S. shrinking into the margins in Turkish support is a policy that would not be beneficial. More than ever as Turkey redistributes Muslim practices into official capacities we should strive to maintain their friendship and work together to solve problems in Eurasia and the Middle East. Allowing PKK aggressors to take refuge in an unstable region we should have under control while simultaneously thwarting Turkish intervention across the border is slowly alienating a power that has been our important Mideast ally. The United States should strive to keep in Turkey's good graces and aid in their attempts to overcome the Kurdish question and the aggression of the PKK.

Turkey is a unique partner, both in their methods of national cohesion, their steadfast ideals (be it in Kurdistan or Turkey), and their championing of Western values in an Eastern society. While their treatment of the Kurds needs improvement, Turkey has shown the capacity for improvement and the current conflict must be viewed as an opportunity to build further cooperation between Turkey and the U.S. by collaboratively working to create peace with the Kurds. We can find inspiration in the Turkish spirit and share with them and the Kurdish people our own visions for the future.

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**Republican Agonistes**

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# Republican Agonistes

*By TROY SENIK*

## **The Republican Party is dead.**

Haven't you heard? Despite winning seven of the past 11 presidential elections and controlling at least one house of Congress for 13 of the past 15 years, our salad days are over. The ascendancy of Nancy Pelosi, Harry Reid, and Barack Obama has shipwrecked the GOP in perpetuity. Those of us who fought the good fight will now have to go back to country clubbing, Bible thumping, and war mongering in the private sector. To add insult to injury, we're the only major institution that has failed in the last year without receiving a generous taxpayer bailout.

Such is the psychology of the party of Lincoln in the early days of 2009. It is a coalition humiliated by defeat, insecure in its principles, and fearful of a new president who may prove to have Ronald Reagan's gifts for charming his way into the support of people with whom he is ideologically incompatible.

This hyperventilation – though characteristically American – is both overstated and premature. The GOP has had its fair share of false death knells over the past half-century – and each time it has quickly come roaring back.

When Barry Goldwater carried only six states in his bid to unseat Lyndon B. Johnson in the 1964 presidential election, the Republican Party was said to

be undergoing incremental euthanasia at the hands of an unshakeable liberal coalition. Four years later, Richard Nixon was in the White House. With the passage of another four years, he was carrying the 1972 presidential election with 49 states.

In 1976, the wake of the Watergate scandal was said to be so deep and so traumatic that it would make the GOP irrelevant for a generation. A charismatic but untested presidential candidate offering a message of hope and change – Georgia Governor Jimmy Carter – was going to lead the nation back to the days before we had eaten from the tree of the knowledge of good and evil. But Carter's Shangri-La on the Potomac would come to a premature end at the hands of Ronald Reagan in 1980. And by 1984, Reagan's reelection would reproduce Nixon's lopsided second term majority – 49 states for Reagan, one for opponent Walter Mondale.

It's important to remember that predictions about enduring political majorities are about as reliable as prognostications about recessions – as the old saw goes, markets have predicted eight of the last three downturns. One need only look back four years to find Karl Rove predicting that permanent Republican leadership was something

just shy of a natural law, while Democrats fretted that their party had ceased to be a serious national presence.

The question for Republicans, then, is not if they can come back, but rather when and how. The structural changes they choose to pursue in the interim will determine whether the current downturn is a temporary exile or a more abiding excommunication from the halls of power.

The first principle for the party to remember is that national political swings are often a function of selection by negation. The LBJ coalition came undone because of the stalemate in Vietnam and the growing radicalism of the 1960s campus culture. Carter was derailed through a combination of economic implosion and dramatic foreign policy humiliations, a trend most poignantly expressed in the Iranian hostage crisis.

In the most recent instance, the blow dealt to congressional Republicans in 2006 was primarily an expression of public fatigue with the war in Iraq. By the time the 2008 elections came around, that feeling had subsided considerably, but even in its diminished state it paired with the financial crisis to create a toxic atmosphere for Republican candidates. Thus, any sensible strategy for a Republican resurgence will recognize a timeless, if frustrating, truth of party politics – sometimes you have to wait for the mountain to come to you.

The second principle for Republicans to keep sight of is that effective political coalitions are built by addition, not subtraction. The notion that social

conservatives, libertarian free-market types, or hawkish neoconservatives can be profitably removed from the party is usually an exercise in wishful thinking on behalf of their ideological adversaries.

What's more, putsches of that kind usually work in only two sets of circumstances: (1) if a minority within the coalition has disproportionately negative effects on the party as a whole (such as members of the John Birch Society in the Republican Party of the 1950s) or (2) if one segment of the coalition can be traded out for a new one (such as the switch between northeastern progressives and southern whites that occurred in the wake of the civil rights movement).

The GOP should be wary of any adventurism in constituent shopping. One of the party's great strengths relative to Democrats during the past several decades is that Republicans have remained much more a party of principles than a party of interests. While Democrats have attempted to manage an often unwieldy marriage of unions, environmentalists, ethnic politicians and the like, the GOP has stayed anchored in a broad – if at times tense – philosophical commitment to limited government, traditional values, and a strong national defense.

Rather than trying to unmoor entrenched interests, the party would be better advised to focus on groups that haven't yet found a meaningful home in either party, such as Hispanics, members of the science and technology industry (who have leaned towards Democrats in recent years, but went wild for Ron Paul's libertarian candidacy),

and Catholics torn between a liberal social justice agenda and a conservative insistence on the right to life and personal responsibility.

Republicans also need to learn the lessons that allowed Democrats to trump them at the ballot box during the last two national election cycles. A team of Democratic leaders led by Senator Charles Schumer of New York and then-Congressman (now White House Chief of Staff) Rahm Emanuel of Illinois discovered that it would be easier for Democrats to win local congressional races if they weren't forced into a shotgun marriage with the ideology of the national Democratic Party.

This led to a spate of candidates who sounded more like Republicans on issues ranging from gun control to taxes to abortion – and a watershed of Democratic victories in previously impermeable districts throughout the Midwest and the South. If Republicans hope to win those seats back – and to expand their opportunities in the northeast and the west coast – they'll have to adopt a similarly flexible approach that asks candidates to sign on to a broad national agenda but allows them to defect on issues that can make the difference between won or lost elections.

Finally, the GOP needs to commit itself to the difficult and time-consuming task of intellectually revitalizing the party. While Democratic criticisms of Republicans as “the party of no” are oversimplified, they run the risk of winning popular acceptance if the party can't pair principled rejections of Democratic overreach with an agenda

of positive alternatives.

On issues like health care, the environment, and education, the public is convinced that there are legitimate and wide-ranging problems – but that does not mean they're unified on a proper response. If Republican politicians began utilizing the work done by cutting edge organizations like the Center for Health Transformation, the Property and Environment Research Center, and the Thomas B. Fordham Foundation – and advocate these policies with guidance from the party's top communications experts – they can begin to create a credible alternative to the Democrats' monopoly on domestic issues.

The time for the Republican Party's existential crisis is coming to a close. Now is the hour for a new generation of innovative, optimistic, and principled leaders to see this moment for what it is – an opportunity to renew a proud movement and lead it towards future victories.

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