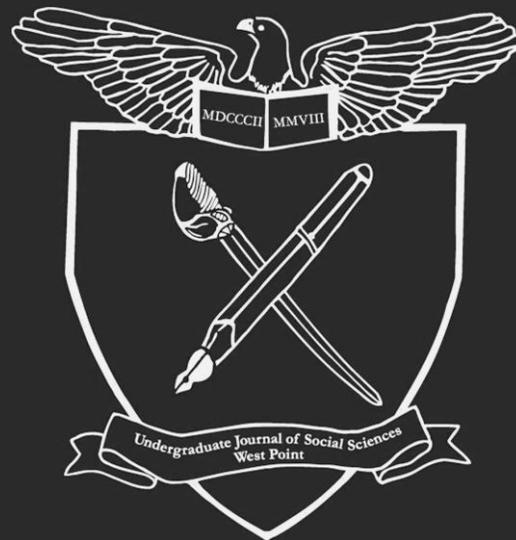


UNDERGRADUATE JOURNAL OF SOCIAL SCIENCES

Volume II, Issue I • Spring 2009



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Saudi Arabia's Ambiguous Future	<i>Mikstas</i>
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www.SoshJournal.org

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The Undergraduate Journal of Social Science is published annually with additional content, including interviews, special issues, and exclusive articles published on our website.

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EDITOR'S NOTE

A Vision for Soldiers & Scholars

In the spring of 2008 the *Undergraduate Journal of Social Sciences* was little more than a vision shared by two cadets and a faculty mentor. That vision – for West Point to provide a premier forum for undergraduate academic dialogue – became a reality in August with the publishing of the *Journal's* debut issue. Nine months later it is my privilege to present the *Journal's* second issue on behalf of the entire *UJSS* team.

The issue's contents are wide-reaching, as the articles address myriad topics from across the social science disciplines. Two papers consider foreign policy on the Asian continent: Nathan Ramia examines legislation concerning “strategic ambiguity” in the U.S. relationship with China and Taiwan, and Georgetown's Drew Peterson provides an intriguing discussion of the implications of Mongolia's emergence as a petitioner of great power assistance to its Chinese neighbor. Alex Mikstas presents an analysis of Saudi stability by considering the role of Islam, oil, and governance in the country's development. West Point's most recent Rhodes Scholar, Josh Lospinoso, presents a compelling case for an auction model that could alleviate the U.S. Army's officer retention crisis. Kyle Wolfley explores the reasoning for why America is one of only two countries that permits Direct-to-Consumer advertising, while Ben Salvito revisits the 2008 campaign trail to analyze the state of New Jersey's decision to move its Presidential Primary to Super Tuesday.

The *Journal's* staff owes many thanks to the faculty members of the West Point Department of Social Sciences that enabled the *UJSS* to transcend its expectations. We are sincerely grateful for the support of the department's leadership, Colonel Michael Meese and Colonel Cindy Jebb, and also for the continued guidance that Lieutenant Colonel Isaiah Wilson III has provided. We are especially thankful for our faculty advisor, Major Tommy Sowers, whose mentorship and dedication have enabled the *UJSS* to move from vision to reality.

Our staff is proud to present the *Journal's* second issue, and is excited about the project's future. Along the way this year, we have offered our readers a variety of exclusive web content, to include an interview series and multiple special issues. What has made the journey such a privilege has been the chance to work alongside such a special set of peers. Each of us recognizes the importance of developing at the Academy not only as soldiers, but also as scholars. To have worked with such a gifted team has been a true honor, and I thank each one of them for their commitment.

As for now, the articles await you. Our team thanks these authors for their fine efforts, and we hope that you enjoy their contributions to the public realm of undergraduate academia.

Cadet Tyler Matthews
Editor-in-Chief

West Point, NY
April 2009

CLEAR AS MUD: H.R. 1838 AND THE ELIMINATION OF STRATEGIC AMBIGUITY

Nathan Ramia
United States Military Academy

Running contrary to two decades of established policy, the Taiwan Security Enhancement Act of 2000 called for an elimination of “strategic ambiguity” in the U.S. relationship with China and Taiwan. This paper singles out the clause that attempts to put this novel approach into effect (Section 2, Clause 15) and investigates the underlying motivations of its addition to the bill in committee. This investigation focuses on three main hypotheses: first, foreign lobbies and direct international influence were the most important aspect of the clause’s addition. Second, the explanation lies in relentless pressure from domestic interest groups. Third, the timing and predominant international political atmosphere were the prime factors motivating its introduction.

A distinction is made between factors affecting the bill’s passage and those affecting its composition. The evidence suggests that each of these hypotheses may have played a part, but that the timing of the bill in the immediate context of a Taiwanese election and threatening Chinese “white paper” was the most significant underlying factor of its composition. However, the initial hypothesis must be extended to include a broader sense of the implications of President Clinton’s policies and statements made earlier in 1999 by President Lee of Taiwan. These “big-picture” dynamics contributed most to the predominant atmosphere in Congress, one of mounting frustration and apprehension at what many interpreted as a move away from support of Taiwan. The clause in question may be merely one component of a failed bill, but it lends insight into a major theme in Sino-American relations.

THE ISSUE of American involvement in the Republic of China’s *de facto* independence is a major aspect of Sino-American relations, and with China emerging as an economic and political powerhouse this tense tripartite relationship must be taken seriously. America has taken up the mantle of supporting fledgling democracies and free-market economies and is endeavoring to safeguard Taiwan’s impressive gains in each area. The United States is faced with the difficulties of reconciling this somewhat idealistic aim with the potential for conflict with a budding superpower. Decades of carefully crafted rhetoric maintained and added layers to a quality of strategic ambiguity regarding the true position of the United States

in the tension between the People’s Republic of China (PRC, China) and the Republic of China (ROC, Taiwan). President Nixon and Henry Kissinger laid the foundations for this strategic ambiguity as early as 1973; David Lampton observes that America has been content to “share the same bed with different dreams” in order to avoid direct confrontation issues neither party was willing to compromise on.¹ The U.S. deliberately hedged its bets, clouding its true position. Would she defend Taiwan from a Chinese military incursion only if China attacked unprovoked, or swoop in to the rescue under any circumstances? Or not at all? This vagueness became a hallmark as the actors on each side of the Taiwan Strait proceeded with caution in the face of uncertainty.

Nathan Ramia of Memphis, Tennessee is a Comparative Politics and Chinese Major in the West Point Class of 2011, and is a member of the USMA Debate Team.

¹ David M. Lampton, *Same Bed, Different Dreams: Managing US-China Relations 1989-2000* (Berkeley: University of California Press, 2001), ix-xi.

However, in 1999, the first major U.S. legislation on Taiwan since the Taiwan Relations Act of 1979 (TRA) was introduced in the House of Representatives: H.R. 1838, the Taiwan Security Enhancement Act (TSEA).² The House International Relations Committee considered the TSEA for revision on October 26, 1999, and the following phrase was added in Section 2, Clause 15: "It is in the national interest of the United States to eliminate ambiguity and convey with clarity continued United States support for Taiwan..." This statement lends clarity and decisiveness to the bill, which constitutes a significant break from established policy.³ Why was this phrase added to the Taiwan Security Enhancement Act upon consideration by the House International Relations Committee?

The following study will investigate that question, focusing on three primary hypotheses. First, pressure from American interest groups could have swayed congressional representatives sensitive to the domestic political atmosphere and trends. Alternately, the change could have been effected by foreign lobbies (i.e. successful pressure from Taiwan / failed pressure from China). A final explanation lies in the timing of the bill's appearance before Congress in the midst of a Taiwanese election and Chinese saber-rattling. The relative validity of these potential influences will be examined in an attempt to establish the most likely *raison d'être* behind the shift in policy.

Section II will present the background of the TSEA, laying out the basics of its inception and revision in historical and contemporary context.

Section III will review previous studies and scholarly opinions, providing a literature review focused on the extent to which interest groups and lobbies have influence over congressional action. Section III will also

provide evidence in support of each hypothesis, including the insights of various persons involved in its conception and debate, and in the larger issue of Taiwanese independence. Additionally, it will examine the history of Congress's reactionary behavior in response to inflammatory foreign actions.

Section IV will synthesize the evidence, interviews, and scholarly work done on the subject, coming to a conclusion as to which of the hypotheses likely constitutes the prime motive force behind the attempt to abandon strategic ambiguity.

CASE

The United States ended diplomatic relations with the ROC in 1979; the relationship has since followed the guidelines of the Taiwan Relations Act and the three major communiqués signed with Taiwan between 1972 and the present day.⁴ U.S. interest in Taiwan's continued *de facto* independence and economic growth was initially founded almost wholly in principle rather than selfish aims;⁵ Taiwan's current status as America's eighth-largest trading partner now provides overriding material motives for that state support.⁶ The TSEA is an attempt to expand on the TRA, specifically making the TRA's Section 3 (regarding defense commitments) both more explicit and more comprehensive. As it stood before the TSEA (and stands today), those defense commitments are characterized by the vague pledge of "such defense articles

⁴ The TRA states that any attempt by China to determine the future of Taiwan by other than peaceful means would be "a threat to the peace and security of Western Pacific area and of grave concern to the United States." Additionally, it stops short of creating diplomatic relations between the U.S. and Taiwan while affording it the same treatment as foreign states in nearly every other sense. It also establishes the American Institute in Taiwan (AIT) as a *de facto* embassy.

⁵ Washington has had trouble balancing financial and organizational commitments to Beijing with the ideological concerns for democratization and liberalism; the balance has seemed to shift more toward China recently, but it wasn't always that way. See: Nancy B. Tucker, "China-Taiwan: U.S. Debates and Policy Choices." *Survival* 40:4 (1999): 150-167, <http://www.informaworld.com/index/713869434.pdf> (accessed March 3, 2008).

⁶ "U.S.-Taiwan Economic Relations," *American Institute in Taiwan*, <http://www.ait.org.tw/en/economics/default.asp> (accessed March 8, 2008).

² House of Representatives, *Taiwan Security Enhancement Act*, 106th Cong., 2nd sess., 2000, H. Doc. 1838.

³ House Committee on International Relations, *Taiwan Security Enhancement Act, consideration and debate*, 106th Cong., 2nd sess., 2000, H. Doc. 1838, http://thomas.loc.gov/beta/billView.jsp?&k2dockey=/prd/k2/congressional_record/xml/106/H01FE0/H01FE0-0035.xml@cong_record&numHits=1&currDoc=1¤tPage=1&106%3Cin%3Econgress%29&congress=106 (accessed February 21, 2008).

and services... as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.”⁷

The TSEA was introduced as H.R. 1838 by Congressmen DeLay and Gilman on May 18, 1999. In essence, the legislation constituted a Taiwanese wish-list, including specific increases in arms sales and availability, military training support, and communications between the upper levels of the government and military. The clause in question, seeking to eliminate strategic ambiguity, emerged “in Congressman Cox’s handwriting” from a private meeting between Congressmen Bereuter and Cox.⁸ Considered in the House International Relations Committee on Oct. 26, 1999, the act was amended and sent back to the House of Representatives for consideration, where it passed with a vote of 341-70 on Feb. 1, 2000. Interestingly, one day before the House voted on the bill (January 31, 2000), China issued a threatening “white paper” detailing PLA missile exercises set to take place in the Fujian province (directly across from Taiwan) immediately prior to Taiwan’s March 2000 election.⁹ A nearly identical bill (S. 693) was introduced in the Senate on Aug. 6, 1999, but neither this bill nor the amended version that passed in the House was actually brought up for consideration on the Senate floor – it stalled indefinitely in the purgatory of committee revision.¹⁰

Clinton approached the China-Taiwan relationship tentatively and cautiously; for instance, during his June 1998 visit to Shanghai when he iterated his support for the “Three Noes” policy. Introduced by Chinese

intellectuals during President Reagan’s administration, this policy is encapsulated in Clinton’s own words: “We don’t support independence for Taiwan; or ‘two Chinas’; or ‘one Taiwan, one China’; and we don’t believe that Taiwan should be a member in any organization for which statehood is a requirement.”¹¹ Although his administration slowly increased arms sales, it did not communicate with or train Taiwan’s military. The TSEA represented a significant break with this policy by seeking to (1) Further increase arms sales and make more arms systems available, (2) Begin directly training their military personnel and initiate communications between commanders, and (3) Express public support for Taiwan’s legitimacy and condemn Chinese aggression.¹² The bill, however, seemingly went well beyond the administration’s comfort level: Clinton publicly threatened to veto it if it ended up on his desk.¹³ Though it passed handily with wide bipartisan support in the House (341-70), each Democratic supporter declined to extend that support to its bid in the Senate, loath to split with party lines more publicly than he or she already had.¹⁴ Clinton’s opposition and the reluctance of House Democrats to lend vocal support to the bill led to its ultimate foundering, but the motive forces working in the background are as interesting and germane to today’s political scene as they were nearly a decade ago.

LITERATURE REVIEW AND ANALYSIS

Over the years, scholars have spent much time investigating the foundations of congressional action, arriving at a wide range of theories.

⁷ *Taiwan Relations Act*, Public Law 96-8, U.S. Statutes at Large 48 (1979): 3301-3316. http://usinfo.state.gov/eap/Archive_Index/Taiwan_Relations_Act.html (accessed 22 March 2008).

⁸ Chuck Downs is a former Director of Asian Studies Program at the American Enterprise Institute and strategist for the Pentagon and Department of State on East-Asian affairs. During the introduction of the TSEA, Downs was a senior staffer for Congressman Cox – the author of the clause in question. See: Chuck Downs, interview by author, April 19, 2008.

⁹ House Committee on International Relations, *Taiwan Security Enhancement Act, consideration and debate*.

¹⁰ Kerry Dumbaugh. “The Taiwan Security Enhancement Act and Underlying Issues in U.S. Policy.” *U.S. Congressional Research Service*, RS20370, March 1, 2000, <http://www.fas.org/asmp/resources/govern/crs-RS20370.pdf> (accessed March 12, 2008).

¹¹ Dennis Hickey, “Clinton remarks on Taiwan do not signify policy shift,” *Taiwan Journal*, April 18, 1998, <http://taiwanjournal.nat.gov.tw/ct.asp?xItem=16868&CtNo=122> (accessed April 16, 2008).

¹² House of Representatives, *Taiwan Security Enhancement Act*.

¹³ “TSEA ‘could backfire’ for Taiwan,” *Global Security.org*, <http://www.globalsecurity.org/wmd/library/news/taiwan/2000/000214-taiwan-tt1.htm> (accessed 17 April 2008).

¹⁴ Not surprisingly, the Formosan Association for Public Affairs (FAPA, one of the most influential interest groups in D.C.’s Taiwan Lobby) was right in the thick of the flurry of activity surrounding the TSEA. See: Coen Blaauw, interview by author, April 16, 2008.

While there is not much disagreement that interest groups play a role in the creation and revision of policy, the extent of that influence has not been (and perhaps cannot be) well-defined. Though the potential of a few highly motivated individuals' activism should not be underestimated, the economic and political pressure mounted by other governments in international situations and tense power struggles must also be addressed. Finally, the importance of timing in political action cannot be overstated, and its past effects must be explored in an attempt to discern its likely effects in this situation.

Domestic Interest Groups

Interest groups are little more than the organized representation of popular causes or social movements, seeking to influence public policy. Roughly akin to the "factions" of Madison's nightmares,¹⁵ interest groups have been pivotal to government action for centuries, noted by both Cicero and Machiavelli.¹⁶ The following is an analysis of those specifically pursuing an "inside" method of operation: seeking to convince public officials to alter or maintain a certain position by means of direct interaction (rather than influencing their constituencies or the general public).¹⁷

Walker and Gais maintain that the most effective strategy for interest groups to achieve their goals is the direct lobbying of the legislature, rather than the manipulation of mass media or litigation.¹⁸ Indeed, Walker notes that President Nixon found his aims so frustrated by the "iron triangle" of the legislature, bureaucracy, and interest groups that he made plans for extensive reorganization of the government.¹⁹ Peterson and Mayhew each argue that congressional representatives are often swayed to the cause

of interest groups because of their own reliance on these groups for campaign financing (i.e. hopes of reelection). Since the majority of issues under consideration are not key components of party platforms or under intense public scrutiny, legislators feel free to pander to the wishes of their financiers.²⁰

Businesses with strong financial interests in China, however, were shown to influence congressmen in the 1999 investigation of China's illegal acquisition of U.S. technology. While receiving nearly universal vocal support in the House, the "Cox Commission"²¹ was nevertheless thwarted by a large majority of congressmen who voted to support China's "favored trade status."²²

Hrebenar, one of the most respected and prolific scholars of legislative influence, makes two valid points on the other side of the argument. First, he observes that the recent increase in public scrutiny of campaign contributions and conflicting interests/policies has begun to hamstring long-standing strategies of interest groups. Second, he maintains that social interest groups without large-scale economic or business influence are much less likely to command attention than those with the power of the purse.²³ Sheingate also proposes that domestic interest groups have very little real influence on policy, owing to the extreme proliferation of American interests: this high degree of pluralism (and, indeed, the nature of federalism's separation of powers) means that every cause will face

²⁰ Paul E. Peterson, "The rise and fall of special interest politics," in *The Politics of Interests: Interest Groups Transformed*, ed. Mark P. Petracca (Oxford: Westview Press, 1992), 326-327. See also: David R. Mayhew, *Congress: The Electoral Connection* (New Haven: Yale University Press, 2004).

²¹ The Cox Commission refers to a bipartisan commission led by Congressman Christopher Cox, who is mentioned later as the author of the specific clause under consideration. Additionally, the author of the article cited here is interviewed in the evidence section of the paper. See: Richard Fisher, "Time to Heed the Cox Commission's Wake-Up Call," *The Heritage Foundation*, <http://www.heritage.org/Research/AsiaandthePacific/EM602.cfm> (accessed April 23 2008).

²² Robert G. Sutter, "The U.S. Congress: Personal, Partisan, Political," in *Making China Policy: Lessons from the Bush and Clinton Administrations*, ed. Ramon H. Myers, Michel C. Oskenberg, and David Shambaugh (Lanham: Rowman & Littlefield Publishers, Inc., 2001), 88.

²³ Ronald J. Hrebenar, and Ruth K. Scott, *Interest Group Politics in America* (Englewood Cliffs: Prentice-Hall, Inc., 1982), 194-197.

¹⁵ James Madison, "The Federalist No. 10," in *Classic ideas and Current Issues in American Government*, ed. Meena Bose, and John J. DiIulio Jr. (New York: Houghton Mifflin Company, 2007), 19-24.

¹⁶ Mark P. Petracca, "The future of an interest group society," in *The Politics of Interests: Interest Groups Transformed* (Oxford: Westview Press, 1992), 345.

¹⁷ Jack L. Walker and Thomas L. Gais, *Mobilizing Interest Groups in America: Patrons, Professions, and Social Movements* (Ann Arbor: University of Michigan Press, 1991), 103.

¹⁸ *Ibid.*, 110.

¹⁹ *Ibid.*, 126.

sufficient opposition and competition from conflicting interests to render their endeavors ineffectual.²⁴ Skocpol agrees, noting that the fragmentation of the federal system creates “narrowly specialized and weakly disciplined interest groups.”²⁵

Dr. Coen Blaauw, executive director of the Formosan Association for Public Affairs (FAPA), takes pains to emphasize the strategy of organizations like his in the mobilization of lawmakers in support of a bill – not merely seeking a one-time vote but rather the “intangible sympathies” of a congressman who will hopefully approach the whole issue with a new perspective in the future.²⁶ Indeed, he notes that in the case of the TSEA he focused on issue education and exposure when approaching leaders for their support, in the hope that Taiwan’s interests would continue to be taken seriously (and, of course, sympathetically) in the future.²⁷ With regard to direct Taiwanese foreign influence on interest groups like FAPA, Robinson notes that the only nation comparable to Taiwan in terms of scope of operations and money spent on lobbying is Israel.²⁸

Chuck Downs, a senior State Department and Pentagon consultant on East Asian defense policy, stands in sharp disagreement with a number of Blaauw’s assertions.²⁹ He bluntly declares, “To credit Taiwan’s influence or lobbying efforts with this phrase of this legislation is simply wrong.”³⁰ He characterizes his impression of congressmen’s decisions: “driven by their own views, established on their own reasoning, and not [a reflection of] any external draft, pressure or influence beyond their own intellects.”³¹ Indeed, Downs’s views mesh nicely with Robinson’s: he notes that the support gained from individual congressmen often far outweighs the corresponding pro-Taiwan spirit

of their constituencies.³² Congress seems to be motivated by the intrinsic merits of the pro-Taiwan stance, apart from its political value (for instance, reelection).

Blaauw notes that he focuses on issue identification, but whatever the source of a congressman’s awareness the fact remains: the *motive force* behind a congressman’s actions is not a stranger knocking on his door with a policy paper. In this way, it seems that interest groups may have played a pivotal role in bringing the Taiwan issue to light while having relatively little to do with the legislators’ stances and eventual votes.

Foreign Influence

International influence on U.S. policy has been a hallmark since the nation’s founding. Compromise and appeasement have been evident throughout, shown in military behavior and the negotiation of trade agreements and treaties, among other things. Traditional foreign relations theory emphasizes interactions focused on strategic maneuver and power acquisition, summed up in the theories of realism (Hobbes and Morgenthau) and liberalism (Woodrow Wilson and Norman Angell).³³ Thomas Risse-Kappen supports the latter of these theories, noting that European nations exhibited profound influence on U.S. policy in the 1950s and 1960s, a period where America “enjoyed undisputed economic and military supremacy” – in other words, had nothing tangible to gain from compromising.³⁴ Hrebenar and Thomas assert that America is particularly prone to influence by foreign lobbies because of its tolerance of their activities: allowing these foreign states to promote and even finance sympathetic think-tanks, “stage-manage political campaigns,” and give money directly to public officials and political parties.³⁵ Along these same lines,

²⁴ Adam D. Sheingate, *The Rise of the Agricultural Welfare State: Institutions and Interest Group Power in the United States, France, and Japan* (Princeton: Princeton University Press, 2003).

²⁵ Steven G. Brint, *In an Age of Experts* (Princeton: Princeton University Press, 1996), 132.

²⁶ Coen Blaauw, interview by author, April 16, 2008.

²⁷ Ibid.

²⁸ Thomas Robinson, “America in Taiwan’s Post-Cold War Foreign Relations.”

²⁹ Chuck Downs, interview by author, April 19, 2008.

³⁰ Ibid.

³¹ Ibid.

³² Thomas Robinson, “America in Taiwan’s Post-Cold War Foreign Relations.”

³³ “Introduction to International Relations,” Department of Political Science, University of North Carolina Wilmington, February 4, 2008, <http://people.uncw.edu/tanp/IntroIRTheory.html> (accessed March 8, 2008).

³⁴ Thomas Risse-Kappen, *Cooperation among Democracies* (Princeton: Princeton University Press, 1997).

³⁵ Ronald J. Hrebenar, and Clive S. Thomas, “The Japanese Lobby in Washington,” in *Interest Group Politics*, ed. Allan J. Cigler and Burdett A. Loomis (Washington, D.C: CQ Press, 1995), 359.

foreign states could also directly finance sympathetic domestic interest groups, or pointedly withdraw support in response to an unpalatable action. Taiwan, in particular, utilizes these tactics to manipulate both interest groups and sources of scholarly discourse, keeping them aligned with the Taiwanese aims.³⁶

Robert Sutter posits that the determining factor in the extent to which foreign states are able to manipulate U.S. policy is not Congress, but the strength (or intransigence) of the president, which in turn determines the appearance of stability in policy.³⁷ It is worth noting that the appearance of policy instability is truly the nature of strategic ambiguity – ensuring that the other actors are left in the dark, hesitant, unsure of America's true intentions. Sutter does, however, maintain that with a less decisive president (like Clinton, he proffers) Congress does step up to fill the power void, and with it comes an influx of both interest groups and foreign interference seeking to make their mark in a period of indecision³⁸ – this was the case immediately prior to the introduction of H.R. 1838. Sutter's demonstrated ability to consider multiple aspects and causes/effects lends credibility to his findings.

Blaauw downplays the impact of direct Chinese influence (the "Committee of One-Million") on U.S. policy and the creation of the TSEA, claiming that Chinese nationals are "all but nonexistent on the Hill" and exert very little direct pressure on legislators.³⁹ China's interests are instead represented by corporations (he singles out Boeing and IBM) that exert their considerable clout on the behalf of China, where their own interests are most concentrated.⁴⁰ This creates a sort of influence-struggle between Taiwan nationals (and passionate supporters) and the rigid pressure of big business.

³⁶ Thomas Robinson, "America in Taiwan's Post-Cold War Foreign Relations," *China Quarterly* 148 (1996): 1347-1348, <http://www.jstor.org/> (accessed March 8, 2008).

³⁷ Robert G. Sutter, "The U.S. Congress: Personal, Partisan, Political."

³⁸ *Ibid.*, 81-82.

³⁹ Coen Blaauw, interview by author, April 16, 2008. See also: Peter H. Koehn, and Xiao-huang Yin, *The Expanding Role of Chinese Americans in US-China Relations* (M. E. Sharpe, 2002), 85.

⁴⁰ Coen Blaauw, interview by author, April 16, 2008.

An example of the Chinese tilt of big-business can be seen in March 2008: upon President Ma's win in Taiwan's most recent election, Congress drafted a resolution to congratulate him, including a phrase subtly critical of China: Taiwan "faces threat and intimidation from neighboring China" disruptive to the democratic process.⁴¹ This phrase was stricken in the House International Relations Committee,⁴² and Blaauw bitterly asserts that this action was a result of Boeing flexing its proverbial muscles in Washington.⁴³ This situation also supports Thomas and Hrebenar's conclusion: a commercial entity native to the U.S. can be manipulated into colluding with and promoting another state's interests predicated on American tolerance of foreign influence in business.⁴⁴

There is, however, little evidence to suggest that direct Chinese influence had great effect on the inclusion of the clause. Boeing's donations to congressional representatives in the 2000 election cycle show no correlation to the vocal recipients' stance on the clause in question (this is not to say that pressure was not exerted, only that money was not the manifestation of this pressure).⁴⁵

Timing

The importance of timing in politics cannot be exaggerated. Whether noted in relation to polling,⁴⁶ leaking stories to the media,⁴⁷ or

⁴¹ Charles Snyder, "House gives Taiwan full backing," *Taipei Times*, March 7, 2008, <http://www.taipeitimes.com/News/front/archives/2008/03/07/2003404364> (accessed April 18, 2008).

⁴² This committee was called the "International Relations Committee" from 1994-2006; before and after this period it was called the "Foreign Affairs Committee."

⁴³ *Ibid.*, see also: Coen Blaauw, interview by author, April 16, 2008.

⁴⁴ Ronald J. Hrebenar, "The Japanese Lobby in Washington."

⁴⁵ "Boeing Co.," *OpenSecrets.org*, <http://www.opensecrets.org/orgs/toprecips.php?id=D000000> 100 (accessed October 23, 2008).

⁴⁶ Ellen Wulforst, "Timing of polls matters in politics." *Reuters*, <http://www.reuters.com/article/politicsNews/idUSN0344808420071204> (accessed March 9, 2008).

⁴⁷ Michael J. Sniffen, "Libby case witness details art of media manipulation," *The Boston Globe*, January 28, 2007, http://www.boston.com/news/nation/washington/articles/2007/01/28/libby_case_witness_details_art_of_media_manipulation/ (accessed March 9, 2008).

legislative action,⁴⁸ anticipated events or those immediately preceding can affect change that would be otherwise unwonted, even impossible. For example, without the Japanese attack on Pearl Harbor, the internment of Japanese Americans and U.S. entry into WWII would have been hard pressed to find sufficient support.⁴⁹ Jack Levy insists that without the yellow journalism surrounding the explosion of the *USS Maine*, President McKinley would not have been pressured to pick a fight with Spain in 1898.⁵⁰ The drastic changes from the Articles of Confederation inherent in the Constitution would very likely not have been ratified by the states (nor delegates even convened for the Articles' revision) without Shay's Rebellion fresh in everyone's minds.⁵¹

More contemporarily, the PATRIOT Act would never have found the overwhelming support that it did had the vote not taken place soon after the terrorist attacks of September 11, 2001.⁵² Geoffrey Pridham supports this view, holding that "transition events or 'one-off' occurrences" have the potential to inordinately influence policy based on their relative timing.⁵³ Examining a broad range of contemporary phenomena in-depth, Pridham's

work seems eminently credible. Michael Avital proposes that the temporal aspect of any event is one of its prime defining aspects, without which one cannot begin to comprehend its causes and effects; a sense of timing is absolutely critical to "coherence and congruity" of analysis.⁵⁴ George even submits that timing is so important to the success of policy proposals that at times a proposal's quality must be sacrificed in order to ensure that it is not left behind in the wake of a hurriedly shifting political atmosphere.⁵⁵ Shiraev and Sobel would counter that the effects of manipulation of timing cannot possibly be qualitatively measured; they are ambiguous and undefined, and far from the most important issue when searching for root causation.⁵⁶

A more germane analysis is presented by Benjamin Gilman, Republican congressman, former chair of the House International Relations Committee and chief sponsor of the TSEA. Congressman Gilman asserts that "[The U.S. has] always supported Taiwan," though not always as vocally as in this instance.⁵⁷ He continues, noting that the final draft of the TSEA essentially represented Taiwan's "wish-list," and constituted something of a message to the people of Taiwan: "We really do care."⁵⁸ Gilman and Blaauw each independently assert that once Clinton threatened to veto it, the primary function of the bill appears to have shifted from a bid at policy change to a message of hope to Taiwan and a probe at America's political readiness to take the defense of such a message seriously.⁵⁹

⁴⁸ Howard Fine, "Landmark health legislation a quirk of timing - California bill to mandate employee health coverage," *Los Angeles Business Journal*, September 22, 2003.

http://findarticles.com/p/articles/mi_m5072/is_38_25/ai_108600075 (accessed March 9, 2008).

⁴⁹ Alice Y. Murray, "Military Necessity,' World War II Internment, and Japanese American History," *Reviews in American History* 25 (1997): 319-325, https://muse.jhu.edu/journals/reviews_in_american_history/v025/25.2murray.html (accessed 7 March 2008). See also: Susan Welch, *Understanding American Government* (Rochester: West Publishing Co., 1995), 551.

⁵⁰ Jack S. Levy, "Domestic Politics and War," *Journal of Interdisciplinary History* 18 (1988): 653-673, <http://www.jstor.org/> (accessed March 8, 2008).

⁵¹ Robert A. Feer, "Shay's Rebellion and the Constitution: A Study in Causation," *New England Quarterly* 42 (1969): 388-410, <http://www.jstor.org/> (accessed March 8, 2008).

⁵² Paul R. Pillar, *Terrorism and U.S. Foreign Policy* (Washington, D.C.: Brookings Institution Press, 2001).

⁵³ Geoffrey Pridham, Eric Herring, and George Sanford, *Building Democracy?: The International Dimension of Democratization in Eastern Europe* (New York: Continuum International Publishing Group, 1997), http://books.google.com/books?id=gU_zNqQVP4gC&pg=PP1&dq=Building+Democracy%3F:+The+International+Dimension+of+Democratization+in+Eastern+Europe&num=20&ei=oTzUR7qzEpXOywSN4_iABA&sig=NpH3SpiwWVymCgauYEEGUZA0I#PPP7,M1 (accessed March 4, 2008).

⁵⁴ Michel Avital, "Dealing with time in social inquiry: A tension between method and lived experience," *Organization Science* 11 (2000): 665-673, <http://www.jstor.org/> (accessed March 3, 2008).

⁵⁵ Alexander L. George, *Good Judgment in Foreign Policy: Theory and Application*, ed. Deborah W. Larson, and Stanley A. Renshon (Lanham: Rowman & Littlefield Publishers, Inc., 2002), 263.

⁵⁶ Eric Shiraev, and Richard Sobel, *International Public Opinion and the Bosnia Crisis* (New York: Lexington Books, 2003), 132.

⁵⁷ Benjamin Gilman is a former Republican congressman, and was chairman of the House International Relations Committee from 1995-2000. He was the main writer and sponsor of H.R. 1838, and supported it throughout its run in Congress. See: Benjamin Gilman, interview by author, April 22, 2008.

⁵⁸ *Ibid.*

⁵⁹ *Ibid.* See also: Coen Blaauw, interview by author, April 16, 2008.

Ambassador Harvey Feldman, drafter of the Taiwan Relations Act and founder of the American Institute in Taiwan (AIT), was questioned about the possible influence of China's threatening white paper on the strong rhetoric of the TSEA. He demurred: "Congress simply does not work that fast."⁶⁰ Feldman concurs with Blaauw that the TSEA did end up functioning partially as a political message: one of encouragement to Taiwan and one of warning to China.⁶¹ However, he believes that its reference to increased clarity was a "direct response to a Clinton administration policy on defense sales considered flabby by many on the Hill at that time."⁶² Back in 1999, Feldman noted that Clinton policies were beginning to diverge from the guidelines established by the TRA.⁶³ Noting Clinton's hands-off "expectation" of a peaceful resolution in 1998, it is apparent that the strong rhetoric of the TRA had been diluted.⁶⁴ Feldman's claims stem from his opinion that strategic ambiguity was a perversion of policy from the beginning – that the TSEA was a congressional reaction to that perversion taken too far. The statements of Congressman Lantos in opposition to the TSEA parallel Feldman's views as he posits that the clause was intended in large measure to put Clinton in a difficult place politically (a form of retaliation as well as a message of policy disapproval).⁶⁵ This all speaks to timing, in that it outlines tension building in the

Republican-controlled Congress throughout the Clinton administration.

Richard Fisher, senior advisor of Congressman Cox at the time of the TSEA and Asian Studies Director at the Heritage Foundation, similarly asserts that the whole drift of the TSEA was in response to Clinton's characteristically "weak and slow" responses to the confrontations of 1995-96 (themselves stemming from President Lee's inflammatory visit to his alma mater, Cornell University).⁶⁶ As Sutter noted earlier, cautious, indecisive presidents tend to inspire congressional initiative and boldness – this seems to fit this situation perfectly.⁶⁷

Richard Bush, former Director of the AIT and Senior Fellow at the Brookings Institution, indicates that the bill was a direct response to Clinton policies as well.⁶⁸ Bush posits that the "origin of the movement" to reduce strategic ambiguity is manifest in congressional concern over Clinton's failure to warn China not to use force during PLA jet exercises over the Strait in 1999.⁶⁹ Bush crosses party lines to defend the president in this choice – as the U.S. envoy sent to Taiwan

⁶⁰ Harvey Feldman is the founder of the American Institute in Taiwan (the politically correct equivalent of the U.S. embassy in Taiwan), former ambassador to the United Nations and former ambassador to Papua New Guinea. See: Harvey Feldman, interview by author, April 18, 2008.

⁶¹ Ibid.

⁶² Ibid.

⁶³ The TRA states that any attempt by China to determine the future of Taiwan by other than peaceful means would be "a threat to the peace and security of Western Pacific area and of grave concern to the United States" – language that is hardly tame and ambiguous when read in the context of the United Nations Charter (specifically, justification for going to war).

⁶⁴ Shirley A. Kan, "China/Taiwan: Evolution of the "One China Policy – Key Statements from Washington, Beijing, and Taipei," *U.S. Congressional Research Service*, RL30341, December 18, 2007, <http://www.fas.org/sgp/crs/row/RL30341.pdf> (accessed April 18, 2008).

⁶⁵ Tom Lantos was a Democratic congressman in the House International Relations Committee, and the most vocal member of the TSEA's opposition in the House. See: Kerry Dumbaugh, "The Taiwan Security Enhancement Act and Underlying Issues in U.S. Policy."

⁶⁶ Richard Fisher was Congressman Christopher Cox's senior analyst during the introduction of the TSEA, and has since functioned as Asian Studies Director of the Heritage Foundation and senior fellow at the Jamestown Foundation. See: Richard Fisher, interview by author, April 18, 2008. See also: Robert S. Ross, "The 1995-1996 Taiwan Strait Confrontation: Coercion, Credibility, and Use of Force," *International Security* 25:2 (2000), 87-123, <http://www.people.fas.harvard.edu/~johnston/GOV2880/ross3.pdf> (accessed April 19 2008).

⁶⁷ Sutter offered predictions of increased congressional boldness and initiative in the presence of such a president, and offered Clinton as his prime example. This congressional behavior could be seen as manifest in the TSEA's presumption at the reform of international policy. See: Robert G. Sutter, "The U.S. Congress: Personal, Partisan, Political."

⁶⁸ Bush notes an incendiary claim by Taiwan's President Lee in July 1999: "China and Taiwan share a 'special state-to-state relationship.'" The Clinton administration responded with "even-handed statements" which were perceived as critical of Taiwan by Congress.

⁶⁹ On August 20, 1999, a think-tank called the Project for the New American Century (PNAC) issued a statement calling for America to "declare unambiguously" its support for Taiwan – "The time for strategic and moral 'ambiguity' with regard to Taiwan has passed." This language seems to have been adopted into the TSEA by Congressman Cox. See: Ibid. See also: William Kristol, Elliott Abrams, et al. "Statement on the Defense of Taiwan," *Project for the New American Century*, August 20, 1999, <http://www.newamericancentury.org/Taiwandefensestatement.htm> (accessed April 20, 2008).

to calm and relieve the tension caused by these statements, he is acutely aware that the administration was attempting to implement a more measured and discreet strategy to smooth the situation out.

This approach to the bill as a political message to President Clinton is also a valid explanation for the bill's failure in a GOP-controlled Senate. The TSEA was lost to the archives of the Senate Foreign Relations committee after being passed by the House. Were the bill a serious Republican attempt at foreign policy reform, this would not add up – the committee was likewise chaired and controlled by the Republicans. However, functioning primarily as a message this makes perfect sense: to force Clinton to make good on his promise of a veto would be to unnecessarily antagonize the President, whereas Congress made its point quite clear with an overwhelming passage in the House and lack of rejection by the Senate. This explanation is supported by nearly every expert interviewed, including the bill's chief author and sponsor Rep. Gilman.⁷⁰

CONCLUSION

While a wide range of factors undoubtedly contributed to the clause's inclusion, it appears that the most important dynamic was indeed its timing in the midst of a period of tense uncertainty and political flux. However, the evidence gathered in exploration of the forces behind the TSEA's bid for clarity calls for a substantial amendment of the initial primary hypothesis. As important as the immediately proximal events like the Taiwanese election or issuance of the "white paper," analysis requires a broader sense of the implications of President Clinton's policies and statements made earlier in 1999 by President Lee.

In the context of an administration wont to talk behind closed doors and send hushed envoys to smooth things out, it is apparent that mounting frustration in Congress had reached a level sufficient to prompt action, manifest in the TSEA. Clinton's "Three Noes," hesitant defense sales, and passive reaction to the 1995-96 tensions all contributed to a discontented Congress, which

was finally pushed to action by the potential danger of President Lee's "special state-state relationship" speech. Factors like the "white paper" could well have aided the bill's passage in the House, but Feldman is justified in claiming that they likely had very little effect on its specifics. Similarly, while interest groups undoubtedly also played a key role in the awareness and passage of the TSEA, it is very unlikely that their input determined its content.

American strategic ambiguity figures prominently in this, one of the most complicated relationships in modern international relations – the understanding of its sources and (dis)advantages is paramount to the understanding of the larger situation. America has been the "*sine qua non*" of Taiwan's quasi-independent existence" since the exile of Chiang Kai-shek; subtleties and intrigue will be the rule as long as this political reality persists.⁷¹ While the clause in question may be merely one component of a failed bill, it is representative of a major theme in this relationship and thus merits close analysis.

In addition to its value as a case study of the situation in Taiwan, the examination of its sources and roots will itself lead to a more measured understanding of American politics. Through study of the complicated interchanges between foreign influence and interest groups, internal and external political pressure, timing and the careful reasoning of congressmen, one can begin to appreciate the nuanced complexities of modern-day politics. A useful expansion of this research could be aimed at the events that have taken place since the failure of the TSEA, focusing on how U.S. policy has evolved in the last few years. Particularly interesting would be an exploration of the practical differences between former administrations' stances and former President Bush's oft-repeated insistence on "maintaining the status quo."⁷²

⁷¹ Thomas Robinson, "America in Taiwan's Post-Cold War Foreign Relations."

⁷² Terri J. Giles, "The Non-Existent State of Affairs: Reexamining the One China Policy," *Formosa Foundation*, April 9, 2006, <http://www.formosafoundation.org/pdf/Status%20Quo.pdf> (accessed April 18, 2008). See also: Shirley A. Kan, "China/Taiwan: Evolution of the "One China Policy – Key Statements from Washington, Beijing, and Taipei."

⁷⁰ Benjamin Gilman, interview by author, April 22, 2008.

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HOUSE OF SAUD, HOUSE OF CARDS: THE AMBIGUOUS FUTURE OF SAUDI STABILITY

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As one of the world's last remaining absolute monarchies, a hotbed of Islamic extremism, and a vital component of the world economy, an assessment of the stability of Saudi Arabia is both unique and highly relevant. This analysis assesses the stability of the Saudi state through an examination of political legitimacy, political development, the role of Islam, and the economic dependence on oil revenue within the Kingdom. Despite a plethora of potentially destabilizing factors, the continued flow of oil wealth into Saudi Arabia will enable its regime to ensure that the Kingdom will remain stable for the foreseeable future.

SAUDI ARABIA is perhaps the only country in the world that can claim that one man literally built the Kingdom while his son has dedicated his life to destroying it. Mohammad bin Laden was a construction mogul who built hotels, airports, and even renovated Mecca's Grand Mosque for his close friends within the Saudi royal family.¹ His son, Osama, would make his name by launching attacks throughout the Kingdom and calling for the Saudi monarchy to abdicate, citing their "insult to the dignity of this nation [Saudi Arabia]... desecration of its sanctuaries, and... embezzlement of its wealth and riches."² This paradoxical dynamic, as well as Osama bin Laden's criticism of the Saudi regime, sheds light on the questionable stability of the Saudi state. At the core of the issues facing Saudi Arabia is an enormous income gap between the ruling elites, nearly all of royal blood or oil wealth, and the hopelessly impoverished who live under a rapidly deteriorating welfare state. While this situation may describe the condition of dozens of other states throughout the world,

Saudi Arabia represents a unique challenge due to its strategic and economic importance to the United States as well as the rest of the world. The dependence on Saudi Arabia's oil resources, regional instability, and the importance of Saudi Arabia in the ongoing struggle against Islamic extremism all qualify as reasons as to why the stability of Saudi Arabia counts as a vital interest to the United States and the global community at large. This analysis will assess the current level of stability of Saudi Arabia by examining the legitimacy of the regime, the degree of political development taking place within the Kingdom, the complex role of Islam within the state, as well as the regime's dependence on oil revenue. Though many of these factors that lend themselves to stability are clearly problematic for the regime, this analysis will demonstrate that the Saudi state will likely remain relatively stable in spite of these problems so long as the Saudi regime retains its monopoly on the oil revenue that floods into the Kingdom. A clearer understanding of Saudi stability will allow international actors, including the United States, to have a more comprehensive understanding of the benefits and risks of investing in relations with the Saudi state.

Framework of Analysis

While a variety of factors contribute to the overall level of stability within Saudi Arabia,

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¹ Lawrence Wright, *The Looming Tower: Al-Qaeda and the Road to 9/11* (New York: Alfred A. Knopf, 2006), 67-68.

² *Ibid.*, 209.

this analysis will focus on four of the most pertinent factors from which stability can best be surmised. These four factors are political legitimacy, political development, the role of Islam within Saudi Arabia, and the Saudi economic situation. The relevance of these four issue areas can best be understood when one considers the fact that Saudi Arabia is an Islamic, monarchical, oil-dependent state with almost no history of political participation by its populace. Thus these four major arenas, which have been thoroughly defined by prominent political scientists, will serve as a lens through which to view and assess the current level of stability within the Saudi state.

The first major issue one must confront in analyzing the prospects of future political stability in Saudi Arabia involves asking the following question: does the Saudi state enjoy any sense of legitimacy amongst its people? To answer this question, the basis for judging the legitimacy of Saudi Arabia will be founded upon the principles set forth by M. Stephen Weatherford's in his article, "Measuring Political Legitimacy." In this piece, Weatherford discusses two sets of factors that are used to assess political legitimacy: a system-level approach, preferred by historians and political scientists, as well as a grass-roots approach. Due to a high degree of congruence between the two sets of criteria, the more comprehensive system-level approach will be examined. This approach is measured using four basic criteria: accountability, efficiency, procedural fairness, and distributive fairness.³ Can the citizenry take steps to punish or reward the regime for its behavior? Does the regime carry out its responsibilities in a competent and fair manner? These questions, while not necessarily analyzed by a state's citizenry, do allow researchers insight into the four factors described above, and form "the context in within which political life takes place."⁴ To put it simply, these factors will alert politicians and scholars to situations in which a regime has lost or is losing legitimacy. It is through these four indicators that political legitimacy within the kingdom of Saudi Arabia will be analyzed.

The next factor that must be discussed in determining the stability of the Saudi state is that of political development. To assess political development, this analysis will use Lucian W. Pye's "The Concept of Political Development" as a metric. Pye asserts that, despite many variations in the definition of political development, all share in common three basic characteristics: "concern with equality, with the capacity of the political system, and with the differentiation or specialization of governmental organizations."⁵ In essence, the regime must be something more than an all-encompassing, authoritative force. Certain aspects of an advanced society, such as the rule of law and a functioning political bureaucracy, must be present to facilitate the needs of the populace. Pye maintains that political development is "the process by which... nation-states only in form and by international courtesy become nation-states in reality."⁶ He also believes that political development goes beyond simply building formal governmental institutions, that in order to be considered successful it must "also cover the non-authoritative institutions of a polity."⁷ For instance, are all groups within society subject to the same laws and afforded the same opportunities, or is discrimination rampant? The political realities within Saudi Arabia will be measured against these aforementioned criteria to determine whether or not Saudi Arabia is currently undergoing anything resembling a legitimate process of political development.

Next, the role of Islam must be examined in order to assess the contest between national and religious identity within Saudi Arabia. Terrance G. Carroll discusses Islam's impact on Middle Eastern political culture in his article "Islam and Political Community in the Arab World." According to Carroll, Islam typically acts in a manner in which it serves as an impediment to governance when it fulfills three criteria. First, Islam must serve as a powerful source of Arab political identity. The second criterion asserts that religiously based political identities are the most likely to

³M. Stephen Weatherford, "Measuring Political Legitimacy," *The American Political Science Review*, no. 1, (1992): 150.

⁴ *Ibid.*, 151.

⁵ Lucian W. Pye "The Concept of Political Development," *Annals of the American Academy of Political and Social Science*, (1965).

⁶ *Ibid.*, 7.

⁷ *Ibid.*, 8.

become political communities. The third and final criterion postulates that Islam's impact on governance depends on three geopolitical conditions.⁸ The first of these conditions is "a large number of people... [who] simultaneously come to think that, of their various political identities, there is one that they share and is of overriding importance." Obviously, Carroll is referring to Islam in the case of Saudi Arabia. The second necessary condition is the occupation of a defined piece of territory in which the group could potentially achieve political dominance.⁹ The final condition states that there must be some congruence between the boundaries of this territory and Islam.¹⁰ The satisfaction of these three conditions serves to ensure that Islam is able to form a tangible community within a state. If these three conditions hold true for the case of Muslims in Saudi Arabia, and if Carroll's overarching statements regarding the nature of Islam itself as a political identity also hold true within the Kingdom, then it can be reasonably asserted that Islam serves as a divisive and destabilizing force against the state.

Finally, the unique economic situation in which Saudi Arabia has placed itself will serve as a fundamental determinant of political stability within the country in the near future. In order to analyze the nature of Saudi Arabia's dependence on markets and external actors as well as the unique challenges facing oil-based economies, this analysis will rely on Adrienne Armstrong's "The Political Consequences of Economic Dependence" and Hootan Shambayati's piece regarding what are known as "rentier states." Armstrong makes the case that a state is economically dependent on another if the following conditions are met: "(1) a high magnitude of a nation's investment [is] controlled by another nation; (2) the inability to find easy substitutes for a commodity or a trading partner; and (3) the intense demand for a commodity."¹¹ Shambayati elaborates on this phenomenon, as he describes the characteristics and common

pitfalls of traditional rentier states, which he defines as "any state that receives a substantial portion of its income in the form of external rents," and goes on to elaborate that the government of a state must be the direct recipient of these funds to qualify as a rentier state.¹² Shambayati acknowledges that rentier states are susceptible to short-term economic prosperity and political stability due to their great wealth, however many rentier states inadvertently foster long-term instability due to their failure to create any sort of productive economic sectors on the domestic level due to their dependence on their main commodity.¹³ Furthermore, many rentier states are plagued by an inability to formulate coherent economic policies or integrate the regime into society, while many of the policies they do enact for their citizenry are made possible only due to foreign investment rather than any sound political or economic foresight by the regime in power.¹⁴ Such states are ultimately susceptible to market forces and run the distinct risk of being home to a populace defined by economic inequity. The characteristics of economically dependent states, as well as the common setbacks and risks posed to rentier states will serve as indicators as to how Saudi Arabia's economic status in the international community will contribute to its own internal political stability in the years ahead.

History

With respect to stability, the history of Saudi Arabia can best be characterized by recognizing the integral role of the regime's dependence on two sources to enhance its power and legitimacy: Wahhabi Islam and oil revenue. The origins of the Saudi state can be traced back to 1744, when tribal leader Muhammad ibn Saud allied with religious leader Sheikh Muhammad ibn Abd al-Wahhab to form an independent and conservatively Islamic state.¹⁵ This initial partnership began a complex and symbiotic relationship between the Saudi state and Wahhabi Islam, an ultraconservative sect

⁸Terrance G. Carroll, "Islam and Political Community in the Arab World," *International Journal of Middle East Studies*, no. 2, (1986): 168.

⁹ *Ibid.*, 195.

¹⁰ *Ibid.*, 196.

¹¹ Adrienne Armstrong, "The Political Consequences of Economic Dependence," *The Journal of Conflict Resolution*, no. 3, (1981): 402.

¹² Hootan Shambayati, "The Rentier State, Interest Groups, and the Paradox of Autonomy: State and Business in Turkey and Iran," *Comparative Politics*, no. 3, (1994): 308.

¹³ *Ibid.*, 309.

¹⁴ *Ibid.*, 309-310.

¹⁵ James Wynbrandt, *A Brief History of Saudi Arabia*, (New York, Facts on File, Inc., 2004), 118.

of Islam that aims to purify Islam from “innovations, superstitions, deviances, heresies, and idolatries.”¹⁶ The subsequent expansion of the first and second Saudi states in the 18th and 19th centuries was accomplished in the name of “the reign of the word of God,” with subjugated populations being forced to adhere to Wahhabi doctrine.¹⁷ This relationship persisted with the founding of the contemporary state in 1902, when Abd al-Aziz ibn Abd al-Rahman ibn Faisal Al Saud (Ibn Saud) returned from exile in Kuwait to establish the third Saudi state.¹⁸ For the next three decades, the Saudis expanded, with institutionalized violence against non-Wahhabis ensuring subjugation of an often unwilling and coerced population.¹⁹ By 1932, the Arabian Peninsula was officially united under Ibn Saud as the Kingdom of Saudi Arabia.²⁰ Even today, Wahhabi clerics and descendent of al-Wahhab himself hold key positions in the Kingdom, such as heading the Committee for the Promotion of Virtue and Prevention of Vice, a religious police force that ensures Saudis are living by the precepts of strict Wahhabi doctrine.²¹

The discovery of oil in the 1930s opened a new chapter in the history of Saudi Arabia and would later interplay directly with Wahhabism and Islamic extremism to destabilize the Saudi regime. This discovery, coupled with World War II, allowed the United States to take a greater strategic interest in Saudi Arabia and seek closer ties with the Saudis, thus initiating the Kingdom’s rise as a major player in the global oil market.²² Yet while oil revenues were used to enhance Saudi Arabia’s presence on the international stage, they were also used to lend the regime a measure of domestic stability. The royal family lived a life of unparalleled luxury in an otherwise poor and tribal state, and by the 1950s oil revenue was used to hire state-

sponsored historians to paint the regime in a positive light, while bribery and corruption became rampant throughout the Kingdom. In 1953, the heavy Western presence within the Kingdom spawned widespread striking and riots in the name of anti-colonialism and pan-Arabism. The regime attempted to calm the situation by calling for a return to traditional Islamic values, curbing modernization, and cracking down on Saudi activists.²³ This appeasement to the fundamentalist Islamic sentiment throughout the Kingdom would be a harbinger of the future modus operandi of the Saudi regime. Meanwhile, Saudi royals made a habit of donating oil revenue to radical Islamic organizations as well as to establishing Wahhabi Islamic schools, known as Madrassas, throughout the Muslim world.²⁴ In 1961, for instance, oil revenue paid for the foundation of the Islamic University in Medina, an institution where “any hint of criticism of government policies is non-existent.”²⁵ Between 1973 and 1991, Saudi aid to developing nations and organizations such as the PLO was valued at over \$60 billion.²⁶ Since its discovery, the presence of a thriving oil market has allowed the Saudi regime not only a measure of stability, but has also enabled Wahhabi doctrine to take stronger roots both inside and outside of the country.

The year 1979 saw Islamic extremism fully manifest itself within the Kingdom with the takeover of Mecca’s Great Mosque by the Movement of the Muslim Revolutionaries of the Arabian Peninsula. The group’s leader claimed to be the Mahdi, a descendent of Muhammad whose appearance on Earth is said to be a forerunner to the apocalypse, and sought to establish theocratic rule on the Kingdom alongside his band of gunmen, many of whom were recruited from the Islamic University in Medina.²⁷ The embarrassing episode resulted in hundreds of deaths and international humiliation for the Saudi regime.²⁸ While the mid-1980s saw oil prices tumble and the familiar trend of corruption and royal largesse

¹⁶ Kamil Yilmaz, “The Rise of Radical Islam in Post-Soviet States: Fiction or Reality?” in *Understanding and Responding to the Terrorism Phenomenon*, ed. Ozgur Nikbay and Suleyman Hancerli (IOS Press, 2007), 108.

¹⁷ John R. Bradley, *Saudi Arabia Exposed: Inside a Kingdom in Crisis*, (New York: Palgrave, 2005), 8.

¹⁸ Wynbrandt, 169-170.

¹⁹ Bradley, 9.

²⁰ Tim Niblock, *Saudi Arabia: Power, legitimacy and survival* (New York: Routledge, 2006), 31.

²¹ Bradley, 10.

²² Wynbrandt, 196-197.

²³ *Ibid.*, 212-213.

²⁴ *Ibid.*, 238-239.

²⁵ Madawi Al-Rasheed, *Contesting the Saudi State: Islamic Voices from a New Generation* (Cambridge: Cambridge University Press, 2007), 62.

²⁶ Wynbrandt, 238-239.

²⁷ Wright, 88.

²⁸ Wynbrandt, 240.

continue, it was the 1990s that would prove to be a more cataclysmic decade for the regime.²⁹ In 1990, in the aftermath of Saddam Hussein's invasion of neighboring Kuwait, King Fahd stood helpless as the massive Iraqi army threatened his country's northeastern border. In response, Fahd hosted an international coalition of troops within Saudi Arabia that eventually ejected the Iraqi army from Kuwait and ended Iraq's threatening stance on the Saudi border.³⁰ Though the state itself was preserved, the hosting of non-Muslims within the Kingdom continued after the war's end, and was a subject of major discord amongst radical Saudis. One such radical, the son of a wealthy Saudi building magnate named Osama bin Laden, used this foreign presence as the main pretext for engaging in a series of terrorist attacks against American interests around the world throughout the 1990s.³¹ In 1995, Fahd suffered a paralyzing stroke, and Crown Prince Abdullah took control of the regime. In the aftermath of the September 11th attacks in the United States, involving 15 Saudi citizens and orchestrated by bin Laden's al-Qaeda terrorist network, Abdullah has continuously faced mounting pressures to rein in radical Islamist sentiment within the Kingdom.³² Thus, the prominence of Wahhabi Islam within Saudi Arabia, often sanctioned and promoted via the Kingdom's superfluous oil revenue, has both positively and negatively impacted the stability of the Saudi regime over the course of the state's history.

Political Legitimacy

The first factor that must be addressed in determining the future stability of the Saudi state is that of political legitimacy, which will be analyzed at the systematic level. Legitimacy in this respect can be analyzed by examining four criteria: accountability, efficiency, procedural fairness, and distributive fairness. As far as accountability is concerned, the regime's status as an absolute monarchy puts it on a level on which it is often not answerable to the demands of the Saudi populace. Indeed, there is a "strong belief among Saudis that princes are above the law or

are subject to a law of their own," a fact that greatly clashes with *hisba*. *Hisba* is a principle of Islam in which accountability of a ruler is of great importance.³³ The low degree to which the al-Saud family is held to account is exacerbated by the lack of political rights within the Kingdom, as criticism of the regime or demands for reform are extremely uncommon despite high levels of discontent expressed by exiled Saudis.³⁴ Such a state of affairs makes it virtually impossible for the masses of Saudi Arabia to actually hold their government accountable. One could certainly make the case that the Saudi government is more answerable to the demands of external actors rather than its own citizenry. AbuKhalil claims that King Abdullah's reforms have come as a result of American pressure after the 9/11 attacks rather than from an internal movement.³⁵ He also cites a 2003 State Department report that states Saudi "citizens did not have the right or the legal means to change their government."³⁶

In terms of efficiency, in which the Saudi regime accomplishes the goals of its society without waste, there is also much to be desired. For instance, male members of the royal family, who number in the thousands, all earn \$180,000 annually. This figure does not take into account the personal kickbacks these royals invariably take throughout their lifetimes, as it is estimated that the family seizes 30% to 40% of the country's oil revenue for their personal use.³⁷ Furthermore, Saudi Princes are guaranteed lifetime employment, completely dominate the Saudi civil services, and compete against Saudi merchants for normal business contracts.³⁸ This type of lifestyle can help explain why such an oil-rich state had a debt of over \$150 billion dollars by 2003.³⁹ Upon hearing of a royal party that cost

³³ Madawi Al-Rasheed, "Circles of Power: Royals and Society in Saudi Arabia," in *Saudi Arabia in the Balance*, ed. Paul Aarts and Gerd Nonneman (New York: New York University Press, 2005), 197.

³⁴ Nimrod Raphaeli, "Demands for Reform in Saudi Arabia," *Middle Eastern Studies*, no. 4, (2005): 523.

³⁵ As'ad AbuKhalil, *The Battle for Saudi Arabia*, (New York: Seven Stories Press, 2004), 132.

³⁶ *Ibid.*, 173.

³⁷ *Ibid.*, 88.

³⁸ Mai Yamani, "The Two Faces of Saudi Arabia," *Survival: Global Politics and Strategy*, (2008): 149.

³⁹ Abdulaziz Sager, "Political Opposition in Saudi Arabia," in *Saudi Arabia in the Balance*, ed. Paul Aarts

²⁹ Wright, 146.

³⁰ Niblock, 151.

³¹ Wright, 169.

³² Niblock, 163-166.

10 billion Saudi riyals, the Kingdom's most senior cleric stated that "this does not please God, nor the clerics, nor the believers... there are... those who need food, medicine, and those are more worthy of funding than the waste in festivals."⁴⁰ Furthermore, despite massive unemployment problems coupled with a population boom, 37.1% of the Saudi budget was spent on defense. Meanwhile, the modernization of the Saudi infrastructure has slowed, citizens are losing the welfare payments on which they depend, and government contractors are not being paid.⁴¹ All of these problems are indicators of the utter lack of efficiency within the Saudi state.

Likewise, procedural and distributive fairness within Saudi Arabia are currently not at the level of a stable state. Procedurally, the regime does not act in a regular nor predictive manner. Okruhlik makes the assertion that Islamist opposition unites the Saudi people in calling for "regularity and predictability."⁴² Succession to the crown is completely unpredictable, with the only definite requirement for the Saudi King being that he must be a direct descendant of Ibn Saud.⁴³ In regards to distributive fairness, things are just as bad, if not worse. As one Saudi youth observed, "there is no consistency in the law," citing the fact that Saudi royals watch satellite TV while simultaneously banning satellites from the population at large.⁴⁴ Patronage runs rampant throughout the regime, as Saudi Arabia is still a highly personalized network of tribes. The topic of distributive fairness ties very closely to that of equality, which will be discussed further when analyzing political development. Solely using these criteria to measure political legitimacy, it would be fair to say that Saudi Arabia's government is not seen as legitimate, and therefore the state is at risk of becoming politically unstable.

Political Development

The second major variable that must be examined in determining stability of the Saudi state is political development taking place within the country. Pye points to three major areas which demonstrate the level to which political development is occurring.⁴⁵ The first of these areas is equality. Simply put, Saudi Arabia is not a state that is by any means equal. The status of women in Saudi society serves as the most obvious and pertinent example of inequality. Saudi women are meant to represent the ideal Islamic woman, whose duties are to be a wife and mother and to protect traditional Islamic values and morality.⁴⁶ Though women's rights tend to be on the rise, Saudi women generally receive less education and tend to be more illiterate than men, have limited opportunities for employment, abide by a strict dress code, and live under a set of laws that discriminates "against women in almost all aspects of life."⁴⁷ Along the same lines, Shi'a Muslims, a minority within Saudi Arabia, are often persecuted and are not privy to equal rights within the Kingdom. With the backing of the regime, Wahhabi clerics have denounced Shi'as for not being "real Muslims," endorsing the public shunning of Shi'as in everyday social life.⁴⁸ Shi'a Muslims cannot testify in court, cannot become butchers, and are prohibited from intermarrying with Sunnis.⁴⁹ Finally, the foreign workers living in Saudi Arabia do not hold equal status with native Saudis. By the mid-1990s, there was at least a 100% salary gap between native Saudis and foreigners at all levels of employment.⁵⁰ One source makes the claim that "foreign workers toil in virtual slavery" within the Kingdom.⁵¹ In essence, inequality is deeply entrenched within Saudi society.

and Gerd Nonneman (New York: New York University Press, 2005), 245-246.

⁴⁰ AbuKhalil, 112.

⁴¹ *Ibid.*, 114-115.

⁴² Gwenn Okruhlik, "Networks of Dissent: Islamism and Reform in Saudi Arabia," *Current History*, (2001):27.

⁴³ Mamoun Fandy, *Saudi Arabia and the Politics of Dissent*, (New York: Palgrave, 2001), 32.

⁴⁴ Anthony H. Cordesman, *Saudi Arabia Enters the Twenty-First Century: The Political, Foreign Policy, Economic, and Energy Dimensions*, (Westport: Praeger, 2003), 170.

⁴⁵ Pye, 1.

⁴⁶ Eleanor A. Doumato, "Gender, Monarchy, and National Identity in Saudi Arabia," *British Journal of Middle Eastern Studies*, no. 1, (1992): 31.

⁴⁷ AbuKhalil, 149-151, 160.

⁴⁸ John R. Bradley, *Saudi Arabia Exposed: Inside a Kingdom in Crisis*, (New York: Palgrave, 2005), 81.

⁴⁹ Yamani, 147.

⁵⁰ Onn Winckler, "The Demographic Dilemma of the Arab World: The Employment Aspect," *Journal of Contemporary History*, no. 4 (2002): 628.

⁵¹ Toby Jones, "Seeking a 'Social Contract' for Saudi Arabia," *Middle East Report*, no. 228, (2003): 43.

The capacity of the Saudi political system must also be examined in order to gauge the level of political development taking place within the country. There does not appear to be much depth to the capacity of the Saudi state, as the monarchy still reigns supreme. A series of local elections held in 2005 were deemed to have no real democratic value due to the heavy involvement of the royal family. Further, the al-Saud family has stated that the country "is not ready to have an elected parliament because voters might elect illiterate and unqualified applicants."⁵² The Shura council, created in 1993, is Saudi Arabia's other major experiment in political expansion. However, it is merely an extension of royal control, as its members are chosen by the king and have only rubber-stamp powers.⁵³ One Saudi columnist credits "social immobility" and the "absence of movement and dynamism" with the rise in Islamic extremism, drawing further attention to the lack of political capacity inherent in the Saudi system.⁵⁴ That said, it is believed that the capacity of the political system is becoming more expansive. Despite the criticism leveled at the elections and the fact that many of its liberal architects were imprisoned, the fact is that a series of negotiations with reformers in 2003 did eventually lead to the local elections of 2005. King Abdullah remarked that "whether we like it or not, change will come- from above or below. It's better that it happen from above."⁵⁵ While the political system in Saudi Arabia lacks any real capacity to incorporate new members, there does seem to be at least a dim hope for future accommodation.

In terms of the specialization of governmental organizations, the political institutions within Saudi Arabia are quite established and are able to perform at a functional level. Most ministries within Saudi Arabia were spawned from the Ministry of Finance, which was originally responsible for essentially running the entire Kingdom. Over the six decades from the 1930s until 1999, the number of ministries expanded to 22, including everything from the Ministry of Municipal and

Rural Affairs to the Ministry of Civil Service.⁵⁶ Indeed, the al-Saud regime has succeeded in penetrating nearly every aspect of Saudi society.⁵⁷ However, the fact that the Saudi government has achieved a functional level of specialization fails to account for the serious systematic inequities or the limited capacity of the political system. For this reason, it is reasonable to conclude that Saudi Arabia is not undergoing any sort of truly significant political development.

The Role of Islam

While Islam is indisputably important within Saudi Arabia, whether or not it impedes governance can be determined by using Carroll's three criteria. The first criterion determines if Islam is one of the most powerful sources of political identity within Saudi Arabia. The answer to this is unequivocally yes. Aside from the fact that Wahhabi Islam is the official state religion, the royal family portrays itself as the protector of Islam and regularly funds of the spread Islamic projects within and outside of the Kingdom.⁵⁸ Boukhars goes so far as to assert that Islam is the "sole bedrock" of the regime's legitimacy.⁵⁹ Saudi Arabia is governed by the dictates of Shari'a through a system of Wahhabi religious courts, and has a moral police force known as the *mutawwi*.⁶⁰ The second of Carroll's criteria states that religiously based political identities are more likely than others to be transformed into political communities. Once again, this is the case within Saudi Arabia. Despite the Islamic character of the regime, a great many Islamist groups have recently become a major source of dissent and violence, taking the form of disgruntled political movements within the Kingdom. Wahhabi extremists detest the lavish lifestyle and corrupt nature of the al-

⁵⁶ David E. Long, "Kingdom of Saudi Arabia," in *The Government and Politics of the Middle East and North Africa*, ed. David E. Long and Bernard Reich, (Boulder: Westview Press, 2002), 91-92.

⁵⁷ Okruhlik, 23.

⁵⁸ Niblock, 10-11.

⁵⁹ Anouar Boukhars, "Crisis of Legitimacy in Saudi Arabia" (paper presented at the International Studies Association, Las Vegas, Nevada, October 10-11, 2005).

⁶⁰ Nazih Ayubi, "The Politics of Islam in the Middle East with Special Reference to Egypt, Iran and Saudi Arabia," in *Religion, Globalization and Political Culture in the Third World*, ed. Jeffery I. Haynes (New York: St. Martin's Press, 1999), 82.

⁵² Yamani, 147.

⁵³ Bradley, 207.

⁵⁴ Raphaeli, 521.

⁵⁵ Jones, 44.

Saud family, and cite this as the rationale behind their opposition to the regime.⁶¹ Islam also plays a divisive role in relation to the economically disenfranchised populace, as well as the previously mentioned unequal status of certain religious groups within Saudi Arabia. Many of these marginalized groups have spawned radical clerics and militants that have struck inside and outside of the Kingdom in recent years.⁶² In regards to Saudi youth, one Saudi sociologist states that “Islam, for all these young people, is key to their self-perception. It remains the ideational force that gives coherence to their world... Islamic discourse is central to their understanding.” Perhaps most compelling about this statement is the fact that 60% of Saudis are under the age of 20.⁶³

Finally, Carroll states that three geopolitical conditions must be met in order for Islam to serve as an impediment to governance. Many of these are more indisputable facts rather than conditions requiring any kind of analysis. The first of these conditions, which is the establishment of Islam as being of supreme importance with regards to identity, already exists. Several factors can and have been attributed to increased levels of Islamic militancy within the kingdom, to include the lifestyle of the royal family, support for the United States, and the regime’s perceived inability to fully adopt Wahhabi doctrine. Regardless, the facts speak for themselves: opinion polls show that over 95% of Saudis consider religion to be the biggest concern in their personal lives.⁶⁴ By virtue of this statistic and its geographic location and borders, Saudi Arabia already occupies a clearly defined territory in which Islam has the potential to dominate, thus fulfilling Carroll’s second geopolitical condition. Finally, the congruence between the boundaries of Islam and the frontiers of Saudi Arabia, while by no means perfectly aligned, are nonetheless sufficient to satisfy Carroll’s third criterion. Despite strong rifts between Sunni and Shi’a, which have been documented

here, as well as the fact that the frontiers of the Islamic world expand far beyond the Kingdom’s borders, there is no questioning the fact that Islam is hugely important to the Saudi people and could potentially stand to threaten the stability of the Saudi regime.

Economic Dependency and Rentier Status

The economic situation within Saudi Arabia is the final variable which must be assessed in order to determine stability. Using Armstrong’s criteria to determine if Saudi Arabia is economically dependent, it first must be determined whether or not there is an intense demand for a commodity. In the case of oil, there is no question regarding the high demand. Saudi Arabia, already the world’s largest producer of oil, intends to double its own exports by this time, indicating an unquestionably high demand.⁶⁵ Next, it must be determined if it would be difficult for Saudi Arabia to find a substitute for its oil exports. Some 45% of Saudi GDP comes from oil sales and 90% of earnings from exports are based on oil.⁶⁶ Oil exports form the cornerstone of the Saudi economy, as the country is home to roughly 25% of the world’s oil reserves.⁶⁷ As such, it would be almost impossible to simply find a replacement for oil without major changes to the Saudi economic infrastructure. Carroll’s third condition, the level to which a country’s investment is controlled by another state, is somewhat debatable, as no single state has a monopoly on Saudi exports. Japan receives more of Saudi Arabia’s exports than any other state (17.7%), followed closely by the United States (15.8%).⁶⁸ It has also been argued that the state’s oil industry is dependent on a continually expanding American market.⁶⁹ Regardless of who actually receives the majority of oil, it is clear that most

⁶¹ AbuKhalil, 144.

⁶² Jason Burke, “Al Qaeda,” *Foreign Policy*, no. 142 (2004): 24.

⁶³ Pascal Menoret, *The Saudi Enigma*, (New York: Zed Books, 2005), 190.

⁶⁴ AbuKhalil, 200.

⁶⁵ Gerd Nonneman, “Determinants and Patterns of Saudi Foreign Policy: ‘Omnibalancing’ and ‘Relative Autonomy’ in Multiple Environments,” in *Saudi Arabia in the Balance*, ed. Paul Aarts and Gerd Nonneman (New York: New York University Press, 2005), 323.

⁶⁶ Central Intelligence Agency, “CIA World Factbook: Saudi Arabia,” <<https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html>> (accessed 27 April 2008).

⁶⁷ Menoret, 133.

⁶⁸ Central Intelligence Agency.

⁶⁹ Edward L. Morse and James Richard, “The Battle for Energy Dominance,” *Foreign Affairs*, no. 2 (2002), 2.

of the nation's investment is controlled by foreign nations that provide Saudi Arabia with a great deal of oil revenue. All of these figures demonstrate that Saudi Arabia is unmistakably economically dependent on its oil clients.

As such, Saudi Arabia is predisposed to qualify as being a rentier state, meaning that the country is incapable of building productive economic sectors as a result of its dependence on oil. The economy as a whole has never been truly stable or successful, and the country has actually underperformed as compared to other developing nations due to its overdependence on rents from oil client states.⁷⁰ This is largely due to the crowding out effect, as during times of modernization, the oil industry has "crowded out" other sectors of the economy by monopolizing essential factor inputs.⁷¹ Due to its oil revenue, Saudi Arabia has found it possible to avoid constraining factors normally associated with development as well as tough and unpopular decisions that are part of the normal development process.⁷² Rentier states are also unable to integrate the regime into society or enact coherent economic policy for their populace, as is clearly the case in Saudi Arabia. The Kingdom has made a practice of importing goods and labor, despite extremely high costs, and has grown completely dependent on foreign guest workers, making the economic system even more dependent on oil revenue.⁷³ In 2003, 71% of the budget was classified as an "unproductive expenditure," and unemployment throughout the kingdom is believed to be as high as 25%. Coupled with a population boom and the fact that Saudi citizens do not pay income tax, the issue of unemployment and lack of productivity will eventually prove disastrous for the Saudi welfare state.⁷⁴ While there has been a campaign for economic diversification under Abdullah, the status of Saudi Arabia as a rentier state will prove a difficult problem to resolve without more dramatic institutional

reform to the economic system.⁷⁵ Whatever grave implications the nature of the Saudi economy holds for the distant future, however, seem to be a long way off. In the meantime the Saudi economy continues to blossom due to the growing demand for oil, and thus the state continues to remain fully stable.

CONCLUSION

As this analysis demonstrates, Saudi Arabia is a paradoxical state in which there are various shades of gray in regards to future stability. The government, while recently somewhat more susceptible to change, still lacks legitimacy, as it still completely unaccountable to the Saudi populace, is grossly inefficient, and leaves a great deal to be desired in terms of procedural and distributive fairness. Equality and the lack of capacity within the political system, two glaring indicators of deficient political development, are also hurdles which must be overcome to ensure political stability. Despite the state's Muslim character, Islam has clearly served a divisive issue as of late, serving as an impediment to the regime and causing a great deal of strife within the country. Perhaps the only positive outlook for future stability can be seen in terms of Saudi Arabia's abundant supply of oil, a commodity that will certainly continue to be highly profitable to the regime in the near future. Despite Saudi Arabia's enormous setbacks, its status as a rentier state and the virtual guarantee of continued rent in the form of oil revenue will allow the Kingdom to maintain political stability over the foreseeable future. While it would be quite difficult to forecast when Saudi Arabia's many problems will eventually come to fruition, it is reasonable to assume that this will be congruent with a depletion of oil revenue. In essence, Saudi Arabia's massive amount of wealth is its saving grace in regards to stability. It is conceivable that one day the Saudi regime will face a situation so grave that its people demand major reform. Perhaps the piecemeal reforms currently being undertaken by the regime will continue to take hold of society, or perhaps

⁷⁰ Menoret, 134.

⁷¹ Robert Looney, "Development Strategies for Saudi Arabia: Escaping the Rentier State Syndrome," *Strategic Insights*, (2004).

⁷² Gwenn Okruhlik, "Rentier Wealth, Unruly Law, and the Rise of Opposition: The Political Economy of Oil States," *Comparative Politics*, no. 3 (1999): 297.

⁷³ Menoret, 138.

⁷⁴ *Ibid.*, 144-147.

⁷⁵ Monica Malik and Tim Niblock, "Saudi Arabia's Economy," in *Saudi Arabia in the Balance*, ed. Paul Aarts and Gerd Nonneman (New York: New York University Press, 2005), 103.

there will be a drop in world oil prices that cripples the Saudi economy. However, in the end these scenarios are merely speculative and do not appear likely to happen in the near future. For all of its serious flaws, the regime's

monopoly on oil revenue is the determining factor that allows Saudi Arabia to be classified as a stable regime within the contemporary international community.

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TO WHOM BENDS THE KNEE OF THE KHAN? POST-COMMUNIST MONGOLIA'S ROLE IN BEIJING'S RELATIONS WITH OTHER GREAT POWERS

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Born of Tsarist designs and preserved by Soviet military force, the state of Mongolia has, since the collapse of communism, not only initiated an extensive program of domestic political and economic reform, but forged an independent foreign policy unprecedented in its modern history. This newly expanded sense of sovereignty and range of external options has profoundly affected Mongolia's important relationship with its titanic neighbor to the south, the People's Republic of China. Mongolia's emerging niche as a savvy petitioner of great power assistance has important implications for PRC policy towards its ancient northern neighbor and towards other prominent global actors. Not content to rely on balanced relations between Russia and China to guarantee its continued independence, Mongolia has sought partnership with the United States, Japan, and many other powers. While Beijing currently has little choice but to accept these budding relationships, Chinese suspicion of foreign presence on its borders persists.

IN THE NEARLY two decades since the demise of communist rule in Mongolia, that country has not only initiated an extensive program of domestic political and economic reform, but has forged an independent foreign policy unprecedented in the history of its modern statehood. This newly expanded sense of sovereignty and range of geopolitical options has profoundly affected Mongolia's important relationship with its titanic neighbor to the south, the People's Republic of China (PRC). Perhaps even more important than the substantive nature of this relationship itself, however, are the strategic implications of the new geopolitical dynamic in which Mongolia and China find themselves. Born and preserved as a result of politicking between the two erstwhile great powers of the communist world, the PRC and the Union of Soviet Socialist Republics, the Mongol state has not ceased to be a minor actor located at the nexus

of great power relations. Today, Mongolia's emerging niche as a savvy petitioner of great power assistance has important implications for PRC policy towards its ancient northern neighbor and towards other prominent global actors, as well.

This paper intends to describe the geopolitical changes that have facilitated the independence of Mongolian foreign policy, specifically, the collapse of Soviet-led global communism and the subsequent ascendance of pragmatic, reform-minded leadership in both Mongolia and the PRC. The paper will further analyze the effect of Mongolia's newfound independent geopolitical role on the ancient Sino-Mongolian dynamic. The conclusions drawn from this examination will then be used to explore the implications of this changing dynamic on the PRC's relations with other relevant great powers, including Russia, the United States, and Japan. Ultimately, this paper seeks to illustrate the challenges and opportunities presented to Chinese policymakers by the unprecedented independence of Mongolian foreign policy and demonstrate that there is cause for optimism

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concerning not simply relations between Beijing and Ulaanbaatar, but also between Beijing and Moscow, Washington, and Tokyo, provided that Mongolia's position as a neutral partner of many great powers is not altered.

The Fall of Communism and the Birth of a New Dynamic

Although the Mongol people have existed as cultural entity for centuries, the history of modern Mongolian statehood- and hence, foreign policy- dates from the Chinese Revolution of 1911. It was during this upheaval that the independence of a national state for the Mongol people was declared in Outer Mongolia under the leadership of Bogda Khan, the spiritual leader of Mongolian Buddhists.¹ Over the course of the next ten years, the nascent polity would become a battleground for Japanese and Russian imperial agents, traditional Mongolian noblemen, and socialist revolutionaries.² By 1921, however, communist elements under the leadership of national hero Damdin Sükhbaatar had risen to the top of the national power struggle with the assistance of Bolshevik Russia.³ Mongolia, renamed the Mongolian People's Republic (MPR) in 1924, thus became the world's second communist state and moved definitively into the Soviet Union's geopolitical sphere of influence.⁴

Mongolia remained an unwavering, indeed a subservient, ally of the Soviet Union throughout the entirety of the Cold War and exhibited a foreign policy entirely dictated by Moscow and highly antagonistic not only of China, but of all powers outside of the Soviet camp.⁵ With regard to the PRC in particular, Mongolian foreign policy was antagonistic not only because of its rigid alignment with Kremlin dictates, but as a result of acute suspicion of Chinese irredentist designs on Mongolian territory, as well as Beijing's

unimpressive record on the rights of ethnic minorities.⁶ Indeed, fear of Chinese aggression was the primary driving force behind Ulaanbaatar's foreign policy during the Cold War and resulted in Mongolia welcoming numerous Soviet military bases on its territory- a factor which only exacerbated the Sino-Mongolian security dilemma.⁷

Considering Ulaanbaatar's extraordinary reliance on and subjugation to Soviet military might, the collapse of global communism that began in 1989 with revolutions in Eastern Europe and culminated in 1991 with the dissolution of the Soviet Union had a profound impact on Mongolia and its geopolitical role. Domestically, Mongolia experienced its own political and economic regime transformation: on December 10, 1989, hundreds of protesters marched on Sükhbaatar Square in central Ulaanbaatar demanding an end to "bureaucratic oppression" and the advent of Mongolian-adapted *perestroika* and *glasnost*.⁸ By March 1990, with the protests growing in magnitude and intensity and with Soviet diplomats pressuring the ruling Mongolian People's Revolutionary Party (MPRP) to compromise, the government had resigned and agreed to hold the country's first multiparty elections.⁹ While the ensuing elections saw a massive legitimate electoral victory for the MPRP, the opposition gained formal representation and helped negotiate a new constitution, ratified in 1992, which guaranteed civil and political liberties, as well as the right to private property.¹⁰

The domestic transformation of Mongolia was complemented by a shift in its foreign policy that was both a function of internal political ferment and the rapid decline in Soviet power accompanying the fall of communism. As a result of these dramatic changes, Mongolia found itself, for the first time in its history, with the sovereignty and latitude to conduct an independent foreign policy. This phenomenon can be viewed through two distinct lenses. The first lens is a realist one, which concerns itself with the end

¹ Stephen Kotkin and Bruce A. Elleman, eds., *Mongolia in the Twentieth Century: Landlocked Cosmopolitan*, (Armonk: M.E. Sharpe), 1999.

² Morris Rossabi, *Modern Mongolia: From Khans to Commissars to Capitalists*, (Berkeley: University of California Press, 2005), 31.

³ *Ibid.*, 2.

⁴ *Ibid.*, 31.

⁵ Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 184.

⁶ *Ibid.*

⁷ *Ibid.*

⁸ Morris Rossabi, *Modern Mongolia: From Khans to Commissars to Capitalists*, (Berkeley: University of California Press, 2005), 2.

⁹ *Ibid.*, 18-23

¹⁰ *Ibid.*, 51, 53-54.

of the economic and strategic dependence of the MPR on the Soviet Union. Before Gorbachev's reforms began to curb subsidies to Mongolia, the USSR was its client's primary trading partner and sole creditor; by one estimate, Soviet economic assistance accounted for nearly 30% of Mongolian GDP.¹¹ In terms of military strength, as of March 1987, the Soviet Union garrisoned over 65,000 troops in Mongolia (all of which were withdrawn by 1992) and facilitated the maintenance of an unsustainably large Mongolian military machine.¹² The total collapse of such an essential economic and strategic patron created a "political vacuum" in Mongolia's external relations that many of the nation's leaders considered dangerous, given the genuine risk of economic disaster at home and the growing strategic clout of the PRC.¹³ In order to offset economic stagnation and safeguard the state's newfound *de facto* independence, Mongolian foreign policy makers began to actively engage with global powers such as Japan, the United States, and the countries of Western Europe, especially Germany; they also sought the assistance of international organizations such as the United Nations, the World Bank, and the International Monetary Fund.¹⁴

The other lens useful for interpreting how the collapse of Soviet-led communism and the end of the Cold War enabled the conduct of an independent Mongolian foreign policy is one that accounts for ideology. Until the dissolution of the USSR and the Warsaw Pact in 1991, the MPR was one of the most vocal and dogmatic allies in the Soviet bloc; Mongolian criticism was particularly vociferous towards China (due to aforementioned reasons), Albania, and others who sided with

the Maoist annexationists in the cause of "narrow nationalism."¹⁵ This ideological assertiveness on the part of the Mongolian regime cannot be fully explained, however, by the fact that most MPR leaders viewed the Chinese as a greater security threat than the Soviets; there was certainly no dearth, in many corners of Mongolian politics and society, of resentment towards Soviet hegemony over the MRP.¹⁶ Rather, ideological discipline was maintained at the upper echelons of party leadership by the effective and often violent political methods of MPRP General Secretary Yumjaagiin Tsendenbal, Mongolia's paramount leader for the majority of the Cold War.¹⁷ It was Tsendenbal's rabidly pro-Russian and anti-Chinese security philosophy that dominated Mongolian foreign policy until his forced "retirement" in 1984, which was followed within two years by Soviet Foreign Minister Eduard Shevardnadze's declaration of the end of the Sino-Soviet rift and within five years by the collapse of global communism.¹⁸ Combined, the Tsendenbal ouster, the end of the Sino-Soviet split, and the bloc-wide impact of the Gorbachev reforms contributed to a marked decline in the ideological aggressiveness of Mongolian rhetoric and provided new outlets for international partnerships based on a pragmatic, rather than dogmatic, understanding of mutual benefit.

The end of Soviet suzerainty and Mongolian dogmatism did not simply facilitate new relations with the Western powers and Japan. In fact, ties between Mongolia and the PRC began to develop quite rapidly in the wake of the Cold War, although Mongolian leaders remained quite suspicious of China's strategic and economic motives in interacting with their state.¹⁹ Despite misgivings about Chinese intentions, Mongolia's post-Cold War foreign policy makers understood that the vacuum of

¹¹ Tsendendamba Batbayar, "Foreign Policy and Domestic Reform in Mongolia," *Central Asian Review*, 22.1 (March 2003): 45-59, 51; Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 202.

¹² Robert G. Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, (Lanham: Rowman & Littlefield Publishers, 2008), 239; *Ibid.*, 199-200.

¹³ Tsendendamba Batbayar, "Foreign Policy and Domestic Reform in Mongolia," *Central Asian Review*, 22.1 (March 2003): 45-59, 51.

¹⁴ Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 202; Tsendendamba Batbayar, "Foreign Policy and Domestic Reform in Mongolia," *Central Asian Review*, 22.1 (March 2003): 48-51.

¹⁵ Shakti Madhok, *Sino-Mongolian Relations, 1949-2004*, (New Delhi: Reliance Publishing House, 2005), 197; Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 190.

¹⁶ Shakti Madhok, *Sino-Mongolian Relations, 1949-2004*, (New Delhi: Reliance Publishing House, 2005), 195.

¹⁷ *Ibid.*, 196.

¹⁸ Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 191.

¹⁹ *Ibid.*, 202.

great power support left by the Soviet collapse meant that antagonistic relations with the PRC represented more of a threat to Mongolia's continued sovereignty than did cooperation with their potent neighbors, and rivals, to the south.²⁰ The trend towards détente and engagement with China culminated in 1994, when then-PRC Premier Li Peng visited Ulaanbaatar to conclude negotiations on a new Treaty of Friendship and Cooperation between his country and Mongolia.²¹ Discussions of Sino-Mongolian border demarcation, an important step for assuring Mongolia's sovereignty and territorial integrity, were also initiated at this time and finally concluded in late 2005.²² Clearly, the fall of global communism marked the emergence of an historic era of unprecedented geopolitical latitude for Mongolia's leaders and heralded a new strategic dynamic in which Mongolia could seek fresh allies on its own terms and improve relations not only with the West, but with China, as well.

Mongolia's Post-Communist "Multi-Pillared" Foreign Policy

Since first emerging as an independent geopolitical actor during the breakdown of the international communist order, Mongolia has pursued what has been referred to as a "multi-pillared" foreign policy, so named to distinguish it from the one-dimensional foreign policy dictated by the Soviets to the MPR leadership.²³ This new "multi-pillared" approach is designed to foster an external environment for Mongolia that is conducive to not simply the continued existence of the Mongolian state, but its sustainable socio-economic development and the preservation of its national and cultural unity, as well.²⁴ This unique and holistic view of Mongolia's national security is articulated in a set of documents

published in June 1994: the National Security Concept, the Foreign Policy Concept, and Fundamentals of the Military Doctrine.²⁵ The external policies to which the new thinking enshrined in these documents has given rise are characterized by a "balanced" relationship with Mongolia's two potent neighbors, the search for great power allies beyond its immediate environs, small-state neutrality and reliance on collective security, the total renunciation of nuclear weapons, and solidarity with other developing countries.²⁶

By virtue of its geographic position between two of the great Eurasian and indeed global powers, Mongolian foreign policy has often centered on its relations with China and Russia. Until its declaration of independence in 1911, Mongolia was considered an integral part of Qing Dynasty China.²⁷ After the declaration and an extended period of political chaos, Mongolia was preserved under the suzerainty of the Soviet Union, as discussed extensively above. Since the fall of communism in Mongolia and around the world, however, Mongolian foreign policy has pioneered a new approach to its great power neighbors; rather than staking its future on either China or Russia, Mongolia currently seeks "balanced" relations with both.²⁸ Behind this new approach lies anxiety over the fact that Mongolia no longer has a great power benefactor to guarantee its territorial integrity. Instead it must seek good relations with all potentially threatening actors.²⁹ Mongolian policy is also motivated by a desire to extract aid, trade, and investment from both China and Russia, as well as a strategy of marketing itself as a stable transportation corridor between the two countries on either side of it.³⁰

Mongolia's concern for its territorial integrity and its sustainable economic

²⁰ Ibid.

²¹ Ibid., 205.

²² "China, Mongolia finalize 4,677-km border," *China Daily (Online)*, Nov. 11, 2005, <http://www.chinadaily.com.cn/english/doc/2005-11/30/content_499235.htm> (accessed May 1, 2008).

²³ Tsedendamba Batbayar, "Foreign Policy and Domestic Reform in Mongolia," *Central Asian Review*, 22.1 (March 2003): 58.

²⁴ Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 211.

²⁵ Ibid.

²⁶ Ibid., 210-213.

²⁷ Stephen Kotkin and Bruce A. Elleman, eds., *Mongolia in the Twentieth Century: Landlocked Cosmopolitan*, (Armonk: M.E. Sharpe, 1999), 39-53.

²⁸ Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 210; Tsedendamba Batbayar, "Foreign Policy and Domestic Reform in Mongolia," *Central Asian Review*, 22.1 (March 2003): 49.

²⁹ Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 210.

³⁰ Ibid., 212.

development has led it to seek assistance from more distant quarters than Beijing and Mongolia in “safeguarding... its security and vital national interests... and creating a favorable external environment for its economic, scientific, and technological development,” as stipulated in the country’s Foreign Policy Concept, has been a cornerstone of Ulaanbaatar’s diplomatic strategy since the advent of democracy.³¹ Powers courted in the context of this strategy include Japan, as a prominent donor of international development assistance, the United States, as the dominant guarantor of stability in the Asia-Pacific region, and Germany, as an economic and political powerhouse within the European Union.³² Mongolia has also sought to expand links with lesser regional powers, such as South Korea, a relationship that has encountered difficulty at times over U.S.-supported plans for North Korean refugee camps in Mongolia, something of which the former Roh Moo-hyun administration in Seoul was wary for fear of further complicating efforts at détente with Pyongyang.³³

While expanding both the breadth and depth of its relations with actors beyond its immediate vicinity, Mongolia adheres to a strict policy of official neutrality and vigorously promotes collective security mechanisms.³⁴ Ulaanbaatar declared Mongolia a Nuclear-Weapon-Free Zone in 1992, and secured a United Nations resolution recognizing its status as such in 1998.³⁵ Furthermore, in the absence of a superpower benefactor to guarantee its territorial integrity, post-communist Mongolia has been an active proponent of multilateral institutions and collective security mechanisms, which are

somewhat lacking in Northeast Asia.³⁶ Mongolia has demonstrated a degree of enthusiasm for the potential of the Shanghai Cooperation Organization and became an observer to that body in 2004; at the same time, however, Ulaanbaatar does not see itself as a key player in Central Asian issues and has yet to decide whether it will pursue full membership.³⁷ Finally, Mongolia has been an active participant in the Tumen River Area Development Project, and hopes to support regional confidence-building and economic integration through that initiative.³⁸

In addition to seeking support for Mongolian sovereignty, neutrality, and development from great powers and international organizations, Ulaanbaatar has also made promotion of interests shared with other developing countries a priority of its foreign policy, focusing on cultivating ties with those states that, like Mongolia, are officially neutral and/or geographically landlocked.^{39, 40} Ulaanbaatar has also sought to strengthen relations with states that have, like Mongolia, experienced regime change from communist rule to some other form of government; areas of focus include Central Asia and Eastern Europe, with particular emphasis placed on building new ties with Kazakhstan, Kyrgyzstan, and Uzbekistan.⁴¹ Presidents of Mongolia, despite occupying an office that is constitutionally somewhat weak, have emerged as key players in Mongolian foreign policy, forging close personal bonds with the strong presidential

³¹ Ibid., 215.

³² “Concept of Mongolia’s Foreign Policy,” *Embassy of Mongolia in Washington, DC (Website)*, <http://www.mongolianembassy.us/eng_foreign_policy/the_concept_of_foreign_policy.php> (accessed May 1, 2008).

³³ “Refugee Plan for Mongolia Adds to Dispute on North Korea,” *New York Times* (Online), Sep. 28, 2003, <<http://query.nytimes.com/gst/fullpage.html?res=9F00E5DE103DF93BA1575AC0A9659C8B63>> (accessed May 1, 2008).

³⁴ Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 210, 216.

³⁵ Ibid., 212-214.

³⁶ David Shambaugh, ed., *Power Shift: China and Asia’s New Dynamic*, (Berkeley: University of California Press, 2005), 290, 314.

³⁷ Richard Weitz, “SCO Fails to Solve Expansion Dilemma,” *Central Asia-Caucasus Institute Analyst* (Online), Sep. 19, 2007, <<http://www.cacianalyst.org/?q=node/4697>> (accessed May 1, 2008).

³⁸ Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 218.

³⁹ “Concept of Mongolia’s Foreign Policy,” *Embassy of Mongolia in Washington, DC (Website)*, <http://www.mongolianembassy.us/eng_foreign_policy/the_concept_of_foreign_policy.php> (accessed May 1, 2008).

⁴⁰ Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 212.

⁴¹ “Concept of Mongolia’s Foreign Policy,” *Embassy of Mongolia in Washington, DC (Website)*, <http://www.mongolianembassy.us/eng_foreign_policy/the_concept_of_foreign_policy.php> .

figures of the Central Asian republics and of other states of the former Soviet Union.⁴² Since 1993, presidential delegations have also vigorously promoted Mongolian relations with developing countries from outside the former Soviet sphere, as well; such high-level delegations have made visits to India, Indonesia, Laos, the Philippines, Nepal, Thailand, Turkey, and Vietnam.⁴³

Although it is not acknowledged in any official capacity by the Mongolian government, the country's Buddhist identity does play a role in its foreign policy. Tibetan Lamaist Buddhism is the religion of the majority of the country, with estimates ranging from 50% to 94% of Mongolian citizens practicing this faith.⁴⁴ Despite the fact that the communist regime suppressed religion, with only one Potemkin monastery permitted to operate in the whole country, religious traditions were kept alive and have seen a resurgence since the liberal reforms of 1990-92.⁴⁵ Cultural affinity for Tibet is strong among Mongolians, as is sympathy for the cause of Tibetan autonomy within the PRC; the Dalai Lama visited Mongolia in 2002 and in 2006, and was greeted by cheering crowds both times.⁴⁶ While these visits were organized by religious authorities and not by the government (and thus should not be considered an explicit facet of Ulaanbaatar's foreign policy) Buddhist cultural solidarity is a domestic phenomenon that has ramifications for the state's foreign relations, as demonstrations of sympathy for the Tibetan cause are typically not warmly received in Beijing.⁴⁷

⁴² Tsedendamba Batbayar, "Foreign Policy and Domestic Reform in Mongolia," *Central Asian Review*, 22.1 (March 2003): 49-50.

⁴³ Ibid.

⁴⁴ "Mongolia." *CIA World Factbook 2008*. Accessed from <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>><<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> (accessed May 1, 2008).

⁴⁵ "Mongolia," *Background Notes on Countries of the World 2003*, September 2003.

⁴⁶ "Dalai Lama welcomed in Mongolia," *BBC News* (Online), Aug. 22, 2006, Accessed from <<http://news.bbc.co.uk/2/hi/asia-pacific/5275590.stm>> (accessed May 1, 2008).

⁴⁷ Ibid.

Chinese Reaction to Mongolia's Newly Independent Role

Mongolia's process of post-communist reform has run parallel to a complementary, albeit different, process of reform in the PRC. Since Deng Xiaoping's emergence as paramount leader of China in 1978, PRC decision makers have embarked on a progressive, if gradual, privatization of the economy and liberalization of almost all sectors of Chinese life save the political. This process of domestic reform has been accompanied by new paradigms in foreign policy, as well; since 1997, the PRC has ostensibly adhered to a "New Security Concept" that emphasizes cooperative security over coercive security, prioritizes shared interests and economic gain, and denounces mutually exclusive alliances as relics of the Cold War.⁴⁸ It is in the context of this new security philosophy that the PRC's reaction to Mongolia's changing geopolitical role since the fall of communism must be viewed. At the same time, however, it is of equal importance to identify instances of Chinese deviation from the New Security Concept and analyze the drivers and policy priorities that elicit or instigate such deviation.

The PRC's foreign policy interests in Mongolia are manifold, but can be compartmentalized most logically into three main areas: security concerns, economic concerns, and concerns of cultural influence, legitimacy, and "soft power." Chinese security interests in Mongolia are dominated by the latter's geographic location on the Chinese periphery, a traditional criterion for determining high-priority security areas for the PRC.⁴⁹ Moreover, the Sino-Mongolian border is the longest stretch of land that either country shares with another sovereign state, presenting particularly significant concerns over cross-border illicit activities.⁵⁰ The PRC has significant interest in perpetuating the stability of the Mongolian state, as well as its policy of official neutrality; an unstable or

⁴⁸ David Shambaugh, ed., *Power Shift: China and Asia's New Dynamic*, (Berkeley: University of California Press, 2005), 290, 314.

⁴⁹ Ibid., 232.

⁵⁰ "China, Mongolia finalize 4,677-km border," *China Daily* (Online), Nov. 11, 2005, <http://www.chinadaily.com.cn/english/doc/2005-11/30/content_499235.htm> (accessed May 1, 2008).

hostile Mongolia could very well provide a base of operations for sub-state anti-PRC elements, such as Tibetan or Uyghur separatist groups, and could afford opportunities to potential rival powers seeking strategic containment of China. Instability in Mongolia could also spread across the border into PRC territory, with the ethnic Mongol minority of the Inner Mongolia Autonomous Region of particular concern to Beijing.⁵¹ All of these hypothetical situations are considered unacceptable by PRC foreign policy makers, whose policies towards states on the Chinese periphery are designed to prevent the emergence of such threatening circumstances.⁵²

Continued Sino-Mongolian economic cooperation is also highly prioritized by the PRC foreign policy elite.⁵³ As of 2007, China was Mongolia's most significant export partner by far, while in terms of imports, Chinese goods and services were a close second only to Russian goods and services.⁵⁴ China is also the largest source of foreign capital in Mongolia, accounting for over \$280 million worth of investment, or approximately 40% of the total.⁵⁵ Numerous cross-border economic initiatives have been undertaken, resulting in not only increased trade and investment, but substantial technological cooperation and exchange, as well.⁵⁶ Chinese firms are currently seeking contracts to harvest a wide

variety of natural resources in Mongolia and to develop the transportation and communication links necessary for such activity; infrastructure thus developed will have the added benefit of better linking the Chinese interior with the Russian Far East, expanding economic cooperation on all three sides of the China-Mongolia-Russia triangle.⁵⁷ Finally, Mongolia's aforementioned cooperation in the Tumen River initiative has helped develop a locus of regional economic growth and cooperation, something which is of value to the PRC.⁵⁸

Finally, Mongolia is of marked interest to Beijing in the realm of cultural influence, external political legitimacy, and the ability to reap dividends directly from the attractiveness of one's culture, values, and policies, something political scientist Joseph S. Nye has termed "soft power."⁵⁹ Ulaanbaatar's non-confrontational rhetoric towards the PRC and its demonstrated willingness to participate in multilateral organizations in which Beijing features prominently lend a degree of legitimacy to the PRC's self-proclaimed trajectory of "peaceful development" and renunciation of "Cold War mentalities."^{60, 61} On the other hand, Mongolia's role as a leading state in the Buddhist world is a dynamic that could be exploited by rivals of Beijing to draw negative attention towards PRC policies in Tibet. Numerous visits by the Dalai Lama to Mongolia have drawn considerable ire from the PRC, whose leadership hopes to minimize embarrassing scenarios that could negatively impact its ability to harvest the fruits of its "soft power" in East Asia

⁵¹ Shakti Madhok, *Sino-Mongolian Relations, 1949-2004*, (New Delhi: Reliance Publishing House, 2005), 222.

⁵² David Shambaugh, ed., *Power Shift: China and Asia's New Dynamic*, (Berkeley: University of California Press, 2005), 232.

⁵³ Robert G. Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, (Lanham: Rowman & Littlefield Publishers, 2008), 313.

⁵⁴ China is the destination for 71.7% of Mongolian-produced goods. In terms of imports, Russia accounts for 29.7% of Mongolian imports; China accounts for 29.4%. This data is from the year 2006 and is the most recent available. "Mongolia," *CIA World Factbook 2008*, Accessed from <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>><<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> (accessed May 1, 2008).

⁵⁵ Galina Yaskina, "Role of the Foreign Factor in Mongolia's Political and Socioeconomic Development," *Far Eastern Affairs* 31.3 (2006): 78; Robert G. Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, (Lanham: Rowman & Littlefield Publishers, 2008), 313.

⁵⁶ David Shambaugh, ed., *Power Shift: China and Asia's New Dynamic*, (Berkeley: University of California Press, 2005), 128 n31.

⁵⁷ Robert G. Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, (Lanham: Rowman & Littlefield Publishers, 2008), 313.

⁵⁸ David Shambaugh, ed., *Power Shift: China and Asia's New Dynamic*, (Berkeley: University of California Press, 2005), 98, 126 n12.

⁵⁹ Joseph S. Nye, *Soft Power: The Means to Success in World Politics*, (Cambridge: Perseus Books Group, 2004), 5-11.

⁶⁰ People's Republic of China. State Council Information Office, *China's Peaceful Development Road*, Dec. 2005, <<http://www.china.org.cn/english/2005/Dec/152669.htm#1>> (accessed May 1, 2008).

⁶¹ David Shambaugh, ed., *Power Shift: China and Asia's New Dynamic*, (Berkeley: University of California Press, 2005), 290.

and throughout the world.⁶²

Given the PRC's important security, economic, and soft power interests at stake in Mongolia, amicable relations with Ulaanbaatar have become a steadily increasing priority on Beijing's foreign policy agenda.⁶³ Since normalization of ties occurred in December 1989, Mongolia and the PRC have pursued unabated, if cautious, rapprochement.⁶⁴ Beyond the aforementioned 1994 Treaty of Friendship and Cooperation, China and Mongolia initiated a bilateral dialogue on defense and security consultation in April 2004 and reached a landmark border demarcation agreement in November 2005.⁶⁵ The Chinese government has vigorously supported the expansion of lucrative socioeconomic links between the two countries, and in 2004 the conclusion of a "Mongolia-China Joint Statement" established a framework for future "political, economic, and cultural exchange."⁶⁶ Barring any drastic change in the global or regional strategic order, or any destabilizing developments in Mongolia's relationship with great powers other than the PRC, it is likely that the current trend of cautious, deliberate cooperation and engagement will continue in relations between Ulaanbaatar and Beijing.

Implications for Great Power Relations in Northeast Asia

While it seems that the "multi-pillared" and "balanced" foreign policy pursued by Ulaanbaatar since the collapse of global

communism has been received rather positively by pragmatic and reformist foreign policy leaders in the PRC, Beijing remains cognizant of its influence in Mongolia relative to the influence of other great powers. The land of Genghis Khan was, at best, an unfriendly buffer state and at worst, a *de facto* constituent unit of the Soviet Union throughout much of the Cold War, and leaders at Zhongnanhai remain concerned that Ulaanbaatar's abiding suspicion of Chinese intentions could facilitate Mongolian cooperation with other great powers in a manner inimical to Chinese interests.⁶⁷ While Sino-Mongolian relations are currently enjoying a state of constructive partnership unprecedented in modern history, the maintenance of such ties will depend on Mongolia's leaders continuing to chart a balanced course between competing great power interests. Although Mongolia's new geopolitical role and independent foreign policy are of concern to many states and non-state actors in the region and the world, this section will focus on the role played by Mongolia and its foreign policy actions in the dynamics between China and the three other major powers of Northeast Asia: the Russian Federation, the United States of America, and Japan.

The Role of Mongolia in Sino-Russian Relations

The collapse of global communism and the Soviet Union marked a low ebb in Russo-Mongolian relations. Since the advent of reform in both countries, Ulaanbaatar has endeavored to maintain reasonably collegial relations with Moscow.⁶⁸ In the spirit of "balanced" relations with both of its great power neighbors and in order to safeguard against Chinese domination of its economy, Mongolia has built a strong strategic and economic partnership with the Russian Federation.⁶⁹ In a 1993 Treaty of Friendly Relations and Cooperation, Russia guaranteed

⁶² "Dalai Lama welcomed in Mongolia," *BBC News* (Online), Aug. 22, 2006, Accessed from <<http://news.bbc.co.uk/2/hi/asia-pacific/5275590.stm>> (accessed May 1, 2008)..

⁶³ David M. Lampton, ed., *The Making of Chinese Foreign and Security Policy in the Era of Reform, 1978-2000*, (Stanford: Stanford University Press, 2001), 50.

⁶⁴ David Shambaugh, ed., *Power Shift: China and Asia's New Dynamic*, (Berkeley: University of California Press, 2005), 232.

⁶⁵ Gill Bates, *Rising Star: China's New Security Diplomacy*, (Washington, Brookings Institution Press, 2007), 67; "China, Mongolia finalize 4,677-km border," *China Daily* (Online), Nov. 11, 2005, <http://www.chinadaily.com.cn/english/doc/2005-11/30/content_499235.htm> (accessed May 1, 2008).

⁶⁶ "Pan-Mongolism and US-China-Mongolia Relations," *Jamestown Foundation*. May 5, 2005, <http://www.jamestown.org/publications_details.php?volu me_id=408&issue_id=3322&article_id=2369707> (accessed May 1, 2008).

⁶⁷ Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 220-221.

⁶⁸ Sharad K. Soni, *Mongolia-Russia Relations: Kiakhta to Vladivostok*, (Delhi: Shipra Publications, 2002), 227-228.

⁶⁹ Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 218.

sea access to its landlocked neighbor and affirmed its respect for Mongolia's 1992 constitution, which explicitly stipulates that no foreign troops may be garrisoned on or transited through the territory of Mongolia except in the case that "an appropriate law is adopted."⁷⁰ In 2000, Russian President Vladimir Putin traveled to Ulaanbaatar for discussions with his Mongolian counterpart, becoming the first Russian or Soviet leader to do so since Leonid Brezhnev.⁷¹ The result of these talks was the Ulaanbaatar Declaration, a security pact which reaffirmed the commitments made in 1993, expressed optimism for a peaceful future in Asia, and articulated support for Central Asian efforts to form a Nuclear-Weapon-Free Zone.⁷² Russian trade and investment in Mongolia, while generally not as extensive as China's, has also been significant, especially in the mining industry; the Russian government holds a 49% stake in Erdenet Mining Corporation, Mongolia's largest producer of copper.⁷³

Without a doubt, Mongolia has long featured prominently in Sino-Russian relations, and continues to do so. Unlike in the past, however, Ulaanbaatar's contemporary juxtaposition between Moscow and Beijing is defined by balance, creating an uneasy equilibrium acceptable to all three actors. Indeed, as long as Mongolian leaders maintain this equilibrium in relations with Beijing and Moscow, Mongolia will see Chinese and Russian involvement continue to grow, accompanied by the rhetoric of "mutual gain" and relatively low-intensity competition, mostly economic. For the moment, Mongolia's neutrality and "balanced" great power relations serve the interests of both Moscow and Beijing. The Kremlin benefits from the fact that its weakened position precludes it from asserting itself in Mongolia as it has in the past. Mongolia's official neutrality ensures that Ulaanbaatar will not align with either one of its neighbors on the basis of transient power

dynamics.⁷⁴ Zhongnanhai, for its part, benefits from the fact that Mongolia's official neutrality currently supersedes its territorial insecurity, opening avenues for lucrative economic cooperation with the PRC.⁷⁵ Chinese foreign policy makers still harbor ambitions of dominance in Mongolia, but these ambitions are currently economic in nature, rather than political or military, thus lowering the stakes of Sino-Russian competition in Mongolia.⁷⁶ PRC foreign policy makers should not, however, overestimate Mongolians' tolerance of Chinese penetration of their country. Indeed, in Ulaanbaatar there remains significant and historically-rooted suspicion of Chinese intentions; any perceived threat to Mongolia's vital interests could mean an end to non-alignment and a renewed search for a great power ally.⁷⁷

The Role of Mongolia in Sino-American Relations

In terms of both willingness and capability, the United States of America represents Mongolia's most successful engagement in its post-communist search for a "third neighbor." As early as 1993, the U.S. was providing humanitarian, technical, and military training assistance to Mongolia in the hopes that "a prosperous, market-oriented, and democratic Mongolia [would] have a positive effect across its borders."⁷⁸ Since the fall of communism, American policy has consistently supported Mongolia's economic and democratic development as well as its integration into multilateral structures: Washington supported Mongolia's 1992 bids for membership in the International Monetary Fund, the World Bank, and the Asian Development Bank, as well as its 1997 accession to the World Trade Organization.⁷⁹ Since 2007, Mongolia has also

⁷⁰ Ibid., 208.

⁷¹ Sharad K. Soni, *Mongolia-Russia Relations: Kiakhta to Vladivostok*, (Delhi: Shipra Publications, 2002), 228.

⁷² Ibid., 230.

⁷³ Steve Fiscor, "Russians Revive Mongolian Mining Interests," *Engineering and Mining Journal* 207.10 (December 2006), 2.

⁷⁴ Tsendendamba Batbayar, "Mongolian-Russian Relations in the Past Decade," *Asian Survey* 43.6 (2003): 951.

⁷⁵ Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 209.

⁷⁶ Ibid., 226.

⁷⁷ Ibid., 212.

⁷⁸ Lord, Winston. "East Asia and the Pacific: U.S. Policy and Assistance." *U.S. Department of State Dispatch* 4.21 (5/24/1993). 380.

⁷⁹ Robert G. Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, (Lanham: Rowman &

been a recipient of aid from the U.S. government's Millennium Challenge Account.⁸⁰

U.S.-Mongolian cooperation has also taken place in the realm of international security; beyond extant military education ties, the U.S. 82nd Airborne Division parachuted onto Mongolian territory in the summer of 2000, in an exercise welcomed by Ulaanbaatar, despite being at odds with the "no foreign troops" clause of the 1992 constitution.⁸¹ Mongolia has contributed troops to U.S.-led operations in Iraq, Afghanistan, and the Balkans in conjunction with an ongoing, American-supported process to make the Mongolian armed forces smaller, more experienced, and more professional.⁸² In November 2005, George W. Bush became the first sitting U.S. President to visit Mongolia.⁸³ Prior to his visit, he conducted an interview with Eagle Television of Mongolia in which he was asked by the interviewer whether or not the U.S. would "rise to [Mongolia's] defense" if, "in the future, there are any military threats against Mongolia by its neighbors."⁸⁴ Bush responded warmly, but avoided actually answering the charged, if implicit, question of how the U.S. would respond to Chinese aggression against Mongolia:

"That's a very good question. We're close friends. And by being friends, I think we can prevent any potential military dispute from arising. But of course we would support our friends. We certainly would— nobody anticipates over the next 3 years of my

administration, any force being used against our friend. But my visit should send a signal to the people of Mongolia that you've got a friend in the United States and a friend in George W. Bush."⁸⁵

Despite continued ambiguity concerning the extent of America's security commitment to Mongolia, the United States "remains the balancer of choice" for Ulaanbaatar.⁸⁶

There is ample evidence suggesting that the increasingly close U.S.-Mongolian relationship is the cause of some strategic disquiet in Beijing. Many PRC leaders have expressed concern that U.S. alliances on the Chinese periphery may be part of a wider regional strategy aimed at "containing" China or at least constraining its policy options in a time of crisis.⁸⁷ While the PRC has not lodged any direct criticism of Ulaanbaatar's participation in U.S.-led operations in Iraq, Afghanistan, or the Balkans, Beijing has responded quite coolly to U.S.-Mongolian defense cooperation on Mongolian soil.⁸⁸ In March 2006, with plans underway for joint military exercises between U.S., Mongolian, Thai, Bangladeshi, and other forces to take place near Ulaanbaatar, loud protests emanated from the Chinese media. Although the exercises were focused on counterterrorism, peacekeeping, and disaster relief, one Chinese news source wrote that "with antiterrorism still as the pretext, the United States uses [this] opportunity to... establish radar surveillance and electronic monitoring stations inside the territory of Mongolia."⁸⁹ While relations with Mongolia are unlikely to be the direct cause of any historic Sino-American confrontation- diplomatic, economic, military, or otherwise- mutual suspicion about one another's intentions in the country will

Littlefield Publishers, 2008), 312; Tsedendamba Batbayar, "Foreign Policy and Domestic Reform in Mongolia," *Central Asian Review*, 22.1 (March 2003): 51.

⁸⁰ George W. Bush, "Remarks in a Meeting with President Nambaryn Enkhbayar of Mongolia," Weekly Compilation of Presidential Documents, 10/29/2007.

⁸¹ David Shambaugh, "Facing Reality in China Policy," *Foreign Affairs* 80.1 (Jan/Feb 2001): 64.

⁸² Robert G. Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, (Lanham: Rowman & Littlefield Publishers, 2008), 312; Sharad K. Soni, *Mongolia-China Relations: Modern and Contemporary Times*, (New Delhi: Pentagon Press, 2006), 200.

⁸³ U.S. Embassy in Ulaanbaatar, "U.S. President George W. Bush Visits Mongolia," Accessed at <http://mongolia.usembassy.gov/potus_visit.html> (accessed May 1, 2008).

⁸⁴ Interview With Eagle Television of Mongolia. By: Batjav, Gonchigjav. Weekly Compilation of Presidential Documents, 11/14/2005, Vol. 41 Issue 45, p1687-1689.

⁸⁵ Ibid.

⁸⁶ Mohan Malik, "Australia, America and Asia," *Pacific Affairs* 79.4 (Winter2006): 594.

⁸⁷ "China Responds to U.S.-India Nuclear Deal." *Jamestown Foundation* (Online). March 29, 2006. <http://www.jamestown.org/publications_details.php?volume_id=415&issue_id=3670&article_id=2370926> (accessed May 1, 2008).

⁸⁸ "China Leery of U.S.-Mongolia Exercise." *Military.com*. May 4, 2006. Accessed from <<http://www.military.com/features/0,15240,96232,00.html>> (accessed May 1, 2008).

⁸⁹ Ibid.

certainly add to the regional strategic rivalry that exists between these two Pacific and global powers.

The Role of Mongolia in Sino-Japanese Relations

Ulaanbaatar's search for a "third neighbor" has also met with success in Tokyo. In fact, Japanese engagement with Mongolia dates back to August 1991, when then-Japanese Prime Minister Toshiki Kaifu became the first leader of an industrialized democracy to visit Mongolia.⁹⁰ While the Japanese are not seen as "balancers" in the true strategic sense, and have not cooperated with Mongolia on issues of international security as have the Americans, Tokyo has been the largest state source of foreign development and humanitarian assistance since the fall of communism.⁹¹ It is currently estimated that Japanese Official Development Assistance (ODA) accounts for one-third of all foreign aid received by Mongolia.⁹² The Japanese government also chairs the Mongolia Assistance Group, a periodic summit of Mongolia's international donors co-sponsored by the World Bank.⁹³ Finally, Tokyo is a leader in terms of technical assistance to the Mongolia and has sponsored numerous technological development projects in the recent past, prioritizing initiatives in energy, transportation, communication, water distribution, health care, education, and the agriculture/livestock industry.⁹⁴

While Japan is not a "third neighbor" in the sense that its presence in Mongolia could deter potential aggression by one of the country's geographic neighbors, Tokyo's long-

standing, consistent, and generous assistance to Ulaanbaatar has diversified Mongolia's foreign dependence, thus implicitly reducing the degree of Chinese economic dominance over the country, as well as promoting political and economic reform.⁹⁵ It is nearly unthinkable that Japanese aid to Mongolia will ever supersede the much more contentious issues simmering between Japan and the PRC, such as questions of military buildups, territorial disputes, and radically different versions of 20th century history.⁹⁶ At the same time, it is conceivable that PRC leaders could see Tokyo's extensive ODA as diminishing Beijing's economic leverage over Ulaanbaatar and frustrating Chinese efforts to achieve optimal policy outcomes in Mongolia. If this is the case, Japanese aid to Mongolia could become one of many issues complicating an already strained relationship between Beijing and Tokyo.

EVALUATION AND CONCLUSIONS

Since the collapse of communism in Mongolia, in its erstwhile Soviet benefactor, and around the world, Mongolia has experienced not only dramatic internal reform, but a complete redefinition of its geopolitical role. This new role, one of a weak state sandwiched between two great powers and lacking a powerful guarantor of its sovereignty, has posed historic challenges for Ulaanbaatar. In the face of such challenges, Mongolia's leaders have worked to expand relations in the region and beyond, and have pursued a skilful foreign policy aimed at defending a uniquely and holistically defined national interest. Leaders in Beijing have met this newly independent Mongolian foreign policy rather positively, a reaction facilitated by the PRC's own process of domestic and foreign policy reform, as well as the significant opportunities presented to China by the decline of Soviet power and the thaw in relations between Beijing and Ulaanbaatar.

As Mongolia and the PRC have enjoyed a cautious rapprochement, however,

⁹⁰ Tsedendamba Batbayar, "Foreign Policy and Domestic Reform in Mongolia," *Central Asian Review*, 22.1 (March 2003): 51.

⁹¹ "Japan-Mongolia Relations." Japanese Ministry of Foreign Affairs. Accessed at <<http://www.mofa.go.jp/region/asia-paci/mongolia/index.html>> (accessed May 1, 2008).

⁹² Tsedendamba Batbayar, "Foreign Policy and Domestic Reform in Mongolia," *Central Asian Review*, 22.1 (March 2003): 52.

⁹³ "Pledge of Japan on its Assistance to Mongolia at the 7th Assistance Group Meeting for Mongolia," Japanese Ministry of Foreign Affairs, <<http://www.mofa.go.jp/announce/announce/1999/6/622-2.html>> (accessed May 1, 2008).

⁹⁴ Tsedendamba Batbayar, "Foreign Policy and Domestic Reform in Mongolia," *Central Asian Review*, 22.1 (March 2003): 53.

⁹⁵ Verena Fritz, "Mongolia: Dependent Democratization," *Journal of Communist Studies & Transition Politics*. Vol. 18 Issue 4 (Dec. 2002): 91-92.

⁹⁶ Robert G. Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, (Lanham: Rowman & Littlefield Publishers, 2008), 226-231.

Ulaanbaatar has been actively seeking out new great power partnerships to offset its post-Soviet lack of a superpower patron. It seems that this search has been successful, although no single sovereign state has stepped in to fill the vacuum left by the Soviet collapse. Rather, Mongolia has found a “third neighbor” in the global system at large by joining multilateral institutions, maintaining parity in its relations with both of its neighbors, and distributing its natural need for benefactors across many sovereign states and international organizations. This successful foreign policy strategy has inevitably imbued Sino-Mongolian relations with a complexity never before seen in the history of these two ancient peoples as modern states, and Mongolia has become an object of interest in the relations between Beijing and the other great powers of Northeast Asia.

While the three separate strategic triangles connecting Beijing and Ulaanbaatar to Moscow, Washington, and Tokyo all currently enjoy states of dynamic equilibrium, the greatest opportunity for disturbance lies in the potential for Sino-American rivalry over strategic opportunities in Mongolia. Ulaanbaatar’s strategy of courting numerous great powers has successfully drawn the interest of the United States and caused anxiety in Beijing over the possibility of strategic containment of China. In order to minimize the impact of Sino-American strategic competition in Mongolia, the PRC and the U.S. must engage in frank dialogue about core interests at stake on the Chinese periphery. Some of these interests, such as combating terrorism and transnational crime, are shared and thus provide opportunities for cooperation, in theory. Above all, however, no great power must attempt to coerce or co-opt Ulaanbaatar into changing its foreign policy.

Mongolia’s successful post-communist “multi-pillared” foreign policy has not only facilitated political and economic development at home, but has ensured an external climate in which Ulaanbaatar’s ability to act independently is guaranteed by an equilibrium of low-intensity competition among numerous great powers. As long as this external climate is perpetuated, stability will reign in the Mongol steppes and relations among the great powers of Northeast Asia will not be

exacerbated by questions of where the allegiance of Ulaanbaatar lies.

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BIDDING FOR BARS: A PROPOSED AUCTION AND CONTRACT NEGOTIATION SCHEME TO EASE ARMY LABOR REQUIREMENTS

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This paper proposes an insurable, sealed-bid auction designed as a cost minimizing, stop gap measure for the Army officer labor market. The Army currently faces officer shortages in the senior captain to major range as it transitions between the steady state manpower requirements of the 1990s to today. Previous retention efforts do not force officers to signal at what cost they will continue to serve. Offering a menu of incentives under the proposed auction allows the Army to minimize the cost of keeping officers who would otherwise leave active duty as well as signal officers who would stay in the Army without incentive. Using a binary assignment program over an incentive matrix, we create a weak collusion-proof auction through exploiting an asymmetric information structure. A mock officer auction is presented to showcase the implementation and key results of this policy proposal.

THE U.S. ARMY is engaged in conflicts in Iraq and Afghanistan with a recently expanded force. These conflicts have strained the Army in many ways, including its personnel system. The Army is facing worrisome problems associated with manning its force, particularly if the current operational tempo and manpower requirements continue into the future. News reports of declining quality of recruits as well as the frequent use of stop-loss to meet manning requirements are symptoms of this problem.^{11, 12} The focus of these discussions has been on the enlisted force, but there is a corollary personnel problem in the Army officer corps. As we will see, the officer manpower problem becomes acute from senior company grade and junior field grade range; across these ranks, the Army faces critical manpower shortages.

In free markets, labor shortages occur only in the short term. As a shortage occurs, wages will adjust to attract fresh labor.

Unfortunately for the Army, the labor pool for officers is unique: there is limited lateral entry for mid-to-senior grade officers. To enter this labor market, most join the officer corps through one of three major sources: the ROTC program, one of the service academies, or Officer Candidate School. All of these programs contractually bind the newly commissioned officer to a service commitment of up to eight years including an Active Duty Service Obligation (ADSO) of up to five years. The remainder of this time, at least three years, can be optionally served in the Individual Ready Reserve (IRR). Active duty officers that stay beyond their initial ADSO and IRR commitment are free to exit active service at any time, unless they have accrued an additional ADSO. Officers can accrue an additional ADSO through various mechanisms, including the following: a Permanent Change of Station (PCS), military schooling, and Army funded civilian graduate school.¹³ Thus, the captains and majors in the Army are serving under one of two conditions: serving while obligated to stay or serving while free to leave.

The Army officer personnel system manages an officer's career through two basic structures: year group and branch. The

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broadest management structure is the officer's year group. An officer's year group is initially determined by his year of commissioning. At well defined points, the officers within a particular year group are evaluated and selected for promotion to the next rank. For the most part, an officer's year group does not change over time, but under exceptional circumstances it can fluctuate forward or backward one year based upon performance.¹⁴ The second major management tool is the officer's branch or career field. Commissioned officers elect to serve in a specific sub-career field called a branch. Each of these officers, regardless of previous civilian education or experience, must follow the guidelines of his prescribed branch. Each branch or career field has qualifying jobs for promotion to the next rank. An infantry captain, for example, must successfully command a company and attend a career course before qualifying for promotion to major.

Under the current promotion system, lieutenants of a year group cohort in their third year of service get evaluated and selected for promotion to captain in their fourth year of service. The system is a modified up-or-out promotion tournament, where those who fail to make captain within their promotion window are forced to leave active service. A year group cohort of captains in their tenth year of service are evaluated and selected for promotion to major in their eleventh year of service. Given the up-or-out promotion tournament coupled with the year group personnel management system, the number of people available to promote to major is restricted by the year group cohort of year ten captains.^{5, 4, 2} The size of a year group cohort in the future is determined by the promotion rate that current officers face to that higher rank.

Because the Army sows its own seeds for field grade officers (majors through colonels), retention can become a significant manpower concern. Once an officer leaves the Army, he or she typically does not return at a later date. Exacerbating this potential for labor supply shortage is the Army's stipulation that civilians cannot commission directly into field grade officers. In short, once a junior officer has resigned his commission, the Army's supply of field grade officers

diminishes.⁶ Unable to retain sufficient junior officers, the Army is currently confronted with a retention crisis. The problem does not appear to be getting better: the Army can only fill 82.6% of its current requirement for FY2007.⁸ The sweeping organizational changes in the Army, assuming a more brigade-centric structure, are increasing officer requirements; a change further widening the gap of quantity supplied and quantity demanded for junior field grade officers.^{1, 10, 3}

In addition to the structural changes, the Army is facing pressure from the high operational tempo associated with the engagements in Iraq and Afghanistan. Twelve to eighteen month tours in relatively harsh conditions coupled with pressures associated with new, young families may be increasing officer attrition after their initial ADSO:

Young Army officers, including growing numbers of captains who leave as soon as their initial commitment is fulfilled, are bailing out of active-duty service at rates that have alarmed senior officers. Last year, more than a third of the West Point class of 2000 left active duty at the earliest possible moment, after completing their five-year obligation. It was the second year in a row of worsening retention numbers, apparently marking the end of a burst of patriotic fervor during which junior officers chose continued military service at unusually high rates.⁹

Given force strength data, the Army faced a significant shortage of senior captains and majors in 2007. Figure 1 graphically depicts the severity of this shortage. The solid line represents the current force requirements for officers at the various ranks. The bars represent the officers by year-group actually in active service. Year groups 1991 through 2002, comprising senior captains and majors, represent the cohort of officers manifesting the shortage. While officers commissioned pre-1989 are not in short supply, it can be seen by inspection that, assuming a constant demand for officers of particular ranks, a shortage of lieutenant colonels and colonels will occur in the next decade. With the current aggregate shortage of approximately 3700 majors and senior captains in 2008, only 80.5% of requirements for major get filled, the pool of available officers for the senior ranks is

shallow. If in the future officers of more junior rank are required to assume positions which historically required more senior officers, the

shortage will not be as acute, since the aggregate shortage over all year groups comprises 6% of the officer corps.

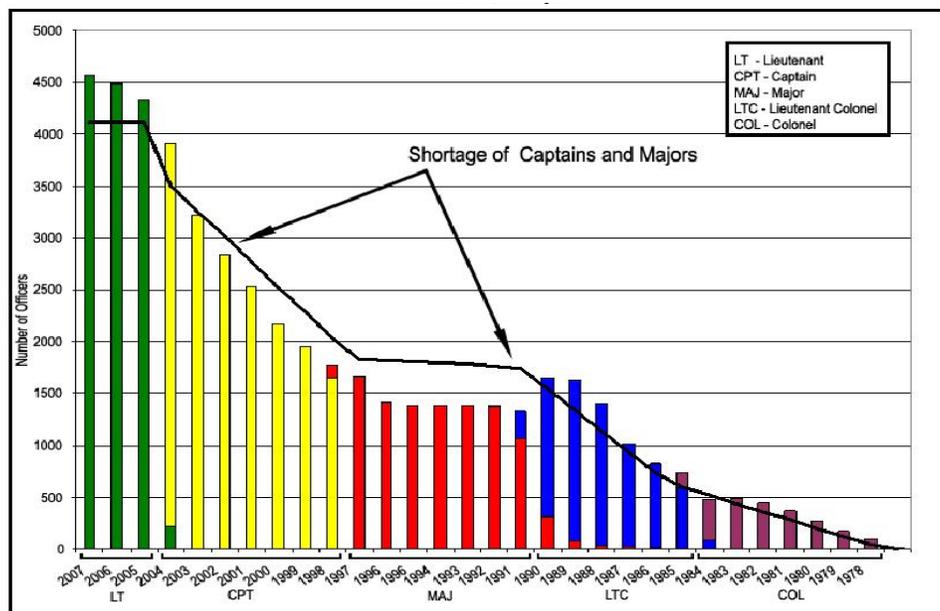


Figure 1: 2007 Year Group Summary.

Bars represent officer supply by year group. Lines represents demand from the Army.

Source: Department of the Army.⁸

Though the current shortage of majors can be attributed to the Army under-anticipating future requirements when managing year-groups 1989 to 1997 and over-actualizing the peace dividend by excessively pruning the force, the high attrition rate of junior captains implies the potential for a persistent shortage of majors into the foreseeable future.

To alleviate the current shortage of senior captains and majors, the Army offered an incentive package. An officer was essentially asked to sell to the Army a three year ADSO for his choice of one of five incentives offered in the program. The five incentive options offered were: Critical Skills Retention Bonus (CSR), Graduate School, Military School, Branch/Functional Area of Choice, and Post of Choice (pursuant to MILPER Message 07-237).¹⁵ The goal of the incentive package was to reduce the pool of officers, in the targeted year groups, who could select to leave active service. This would increase officer retention and thus increase the pool of captains in each

year-group cohort, when they reached year ten, that could be promoted to major.

In this paper, we will discuss a generalized structure of the demand and supply side of the market for officers. In particular the market for senior captains and majors. We will then address the attrition rate and the current shortage of senior captains and majors. We will discuss broad market solutions to the shortage including the previously discussed incentive package, and then narrow down to a particular separating multi-stage auction as a potential cost minimizing policy tool.

General Characteristics of the Officer Labor Market

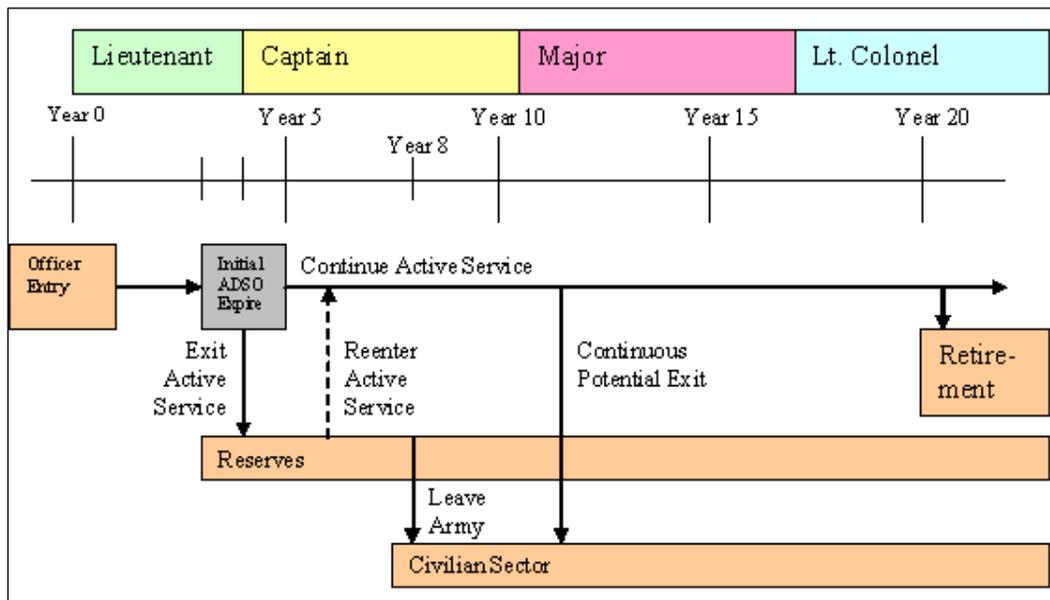
The Army's demand for officers is laid out in the Personnel Manning Authorization Document (PMAD).¹⁶ The PMAD is tied to the Army's statutory end strength as well as to the Army's role in the National Security Strategy; therefore, it is reasonable to view

the Army's quantity demanded of captains and majors as fixed in the short run. In addition, the basic pay and allowances package the Army is able to provide is statutorily set. This leaves for a very uninteresting demand side of the officer market. The Army has a quantity of officers demanded and a price it will pay. The Army's demand and wage offering may be fixed at a point, but there is no guarantee that the labor market's equilibrium point will coincide with it.

The officer's labor supply decision is fairly straightforward. Officers fall into one of two basic categories: those who can choose between staying in the active service and those who are contractually obligated to continue in active duty service. Officers will choose to exit if the expected utility of staying in is exceeded by the expected utility of exiting. The basic time line for an officer's exit decision is laid out in Figure 2:

Figure 2: Officer's Decision Timeline.

An officer enters active service and serves until fulfilling the Initial ADSO. At that point, the officer can choose to continue active service or exit active service (subsequently entering the reserves). If the officer is in the reserves, he can leave after fulfilling his reserve contract, or in special cases re-enter the active duty pool. At any point after the initial ADSO is satisfied, an officer has a continuous exit decision unless another ADSO has accrued.



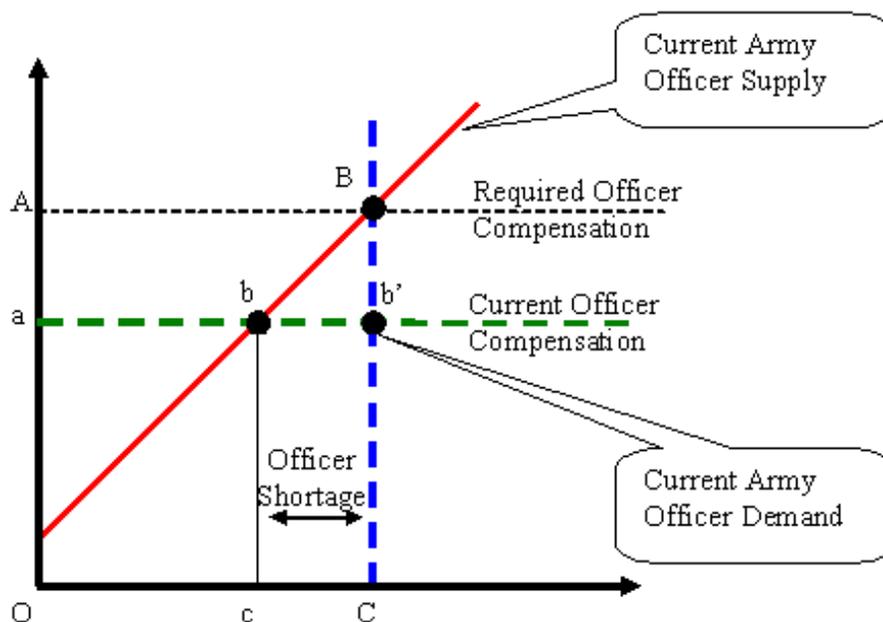
At each exit decision point, an officer weighs the expected utility of continued active service against the expected utility of working in the civilian sector. Compensation is a major factor in determining the officer's expected indirect utility. As the Army's wage offering increases, the indirect utility of continued active duty service increases and, holding outside opportunities constant, more officers will choose active duty service. There are several forms of compensation to take into account when evaluating officer indirect utility. The twenty year cliff-vested pension

plan (Golden Handcuffs)¹ is important as illustrated by the low attrition rate of majors after 11 or 12 years of service (Figure 1); when the present value of that pension becomes dominant

¹All personnel in the armed forces are offered a pension after twenty years of active duty service which comprises of 50% of the last three years base pay. Each additional year of service past twenty increases this proportion. This pension is unconditional on employment status (the officer need not retire and may be gainfully employed in the civilian sector while collecting his pension).

Figure 3: Simplified Officer Labor Market.

The officer shortages are a direct result of military pay under compensating officers given current market conditions.



Consider Figure 3, which lays out the officer supply and demand curves resulting from the officer's opportunity costs and the PMAD Army demand described earlier. The Army could meet its officer demand by increasing compensation. This would increase compensation expenditures from the area of the rectangle $Oabc$ to that of rectangle $OABC$. If the Army could bid up the officer supply curve from b to B , it could meet requirements with additional expenditures equal to the area of the trapezoid $bBcC$. This could be done by offering bonus compensation equal to the area of the triangle $bb'B$ to the officers from c to C . The civilian sector competes with the Army for the Army's mid-career officers. The Army only competes back for those civilian sector employees who are also in the reserves. This asymmetric competition in the officer market implies the Army has no particular market power as a buyer of officer labor and cannot directly price discriminate up the labor supply curve. Indirectly, though, the Army is a monopsony buyer of ADSO. Depending on their power in the ADSO market, the Army could buy service obligations for as little as the area of triangle $bb'B$ or as much as rectangle $aAb'B$.

CURRENT RETENTION EFFORTS

Pre-Commission: Additional Service Obligation

The Army has initiated a program to alleviate retention problems through creating additional Active Duty Service Obligations for incentive. Upon commission, cadets from the Reserve Officer Training Corps (ROTC) and West Point can elect to contractually obligate themselves past their current commitment in return for the branch or post of their choice, or in order to "purchase" the guaranteed option to attend graduate school after company command. These contracts entail three extra years of additional ADSO each.⁷

Post-Commission: Menu of Incentives

Pre-commission ADSO efforts may help to stave off a large exit of Army officers for an additional three to six years, but the Army is equally concerned about retention of personnel comprising senior captains and field grade officers whose ADSOs have expired and whose present value of utility has not become dominated by the twenty-year retirement. In response, the Army instituted the Menu of Incentives Program (MOI) in late 2007 to allow "officers with specific skills and

experiences" to select one of five options listed in Table 1) in exchange for an additional ADSO.¹⁵

Table 1: Menu of Incentives Options

1. Critical Skills Retention Bonus (CSRB)
2. Graduate school
3. Military school
4. Branch of choice
5. Post of choice

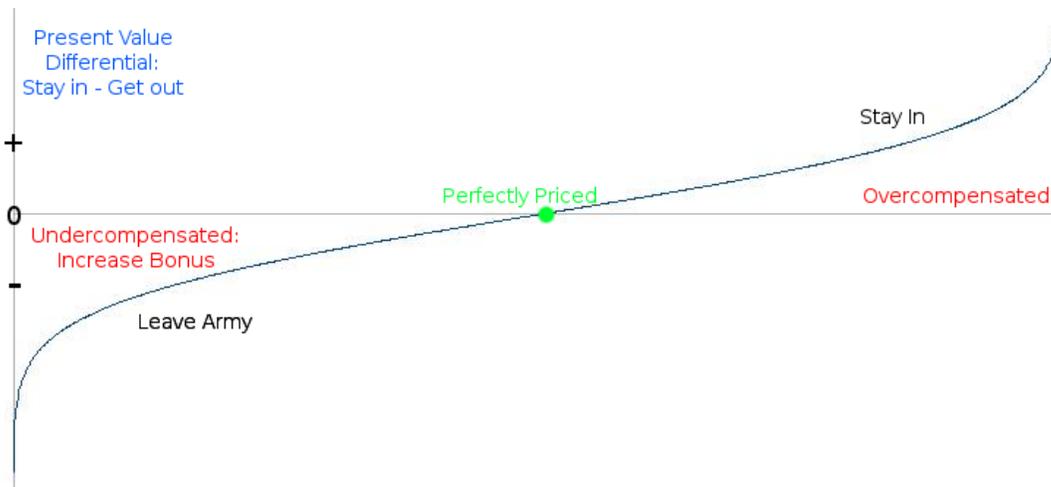
The incentives are similar to pre-commission ADSO, yet the dynamics of the officer's decision to accept one of the incentives may change significantly. With less uncertainty about the likelihood that an officer is able to get graduate school/military school, a branch, or a post, the officer's risk profile becomes less influential in the ultimate outcome of his decision making process in Figure 2. The CSRB is markedly different from the other incentives; by offering a lump sum for additional service obligation, the Army is able to induce a measurable shock on the present value analysis of the officer before he or she makes the decision to stay in the Army. While the other four incentives may

have varied effects on the officer's decision, they too attempt to alter the present value analysis at each decision point: since the officer may not be making individual-utility-maximizing decisions (he or she may be making decisions as a family unit), branch and post choices may have secondary effects on spousal employment, deployment tempo, or a myriad of other non-pecuniary contributions to utility.

Cost Minimization Concerns

The Army can alleviate costs associated with mid-grade officer droughts commensurate with up to three times the costs associated with offering ADSO to pre-commission officers; however, officers who are sure that they will stay in the Army until retirement will take advantage of the program (with no added benefit to the Army).⁷ Consider the population of junior officers projected onto a spectrum, where the difference in present value between staying in the Army (α) and getting out (β) separates them into a discrete function. Figure 4 depicts this function graphically:

Figure 4: Distribution of Present Value Differentials.
 Each officer i appears on the x-axis and his/her associated $\gamma_i = \alpha_i - \beta_i$ on the y-axis.
 All officers with a non-negative value of γ_i stay in.



Without considering mitigating social and political influences, the Army should pay each officer only exactly what is required to keep him from leaving; in this way, the Army can retain exactly as many officers as it needs at the lowest possible cost. Unfortunately, it is not intuitively obvious how to perfectly price each officer's present value. Any solution to the officer retention problem should minimize the associated costs.

THE AUCTION MODEL

Problem Statement

The Army's demand for officers has fluctuated over the past twenty years. During these fluctuations, the officer labor market has not reached a free market equilibrium since the Army sets both the demand and the wage. The Army needs a stop-gap measure to allow minimal shortages during transitions from one steady state to another. To alleviate the shortage, the Army could bid up the wage until the marginal officer in the labor market is retained (as in a CSRB bonus), but this stop-gap measure is highly inefficient. Necessary conditions for an optimal solution includes cost minimization.

Problem Boundaries

An example of an officer's decision to exit at various points in his career is depicted in Figure 2. Unfortunately, the model becomes considerably more complicated when we consider the corpus of officers in any particular year group. The first point at which the officer may make an exit is almost exclusively dependent upon his commissioning source. USMA grads must serve for five years on active duty followed by three years in the reserves. ROTC grads, on the other hand, must serve two or four years depending on the scholarship they accepted in their undergraduate institutions. OCS and direct commission officers follow a different service obligation pattern. Additions to this obligation occur when an officer elects for an additional service obligation through either an incentive program such as those offered by OEMA's program, or he elects for flight school or medical school.

At the first decision point, there are certain discrete intervals at which an officer may exit. If he decides to stay in, there are various career paths he can take, and the complexity of these career paths is further complicated by differences amongst the branches and whether the officer chooses to stay in the operational sector or decides to take on a specialty area (like operations research analyst). Conceiving an all encompassing model of the officer retention process which captures each of these decision points (which become less structured over time) would be very difficult, and would require considerable effort to maintain with fluctuations in doctrine and policy.

Instead, this paper will look at cohorts of officers in the same year group who have the opportunity to leave the Army. Since the Army assigns officers to positions (and positions to officers) based largely upon the year group of their commission, the Army can decide how many officers of that year group it requires. The calculation of this requirement might take on some sort of dynamic, scheduling optimization program, but nothing is lost in the analysis of officer retention by regarding this quantity as exogenous (that is, the Army's force structure and personnel requirements cause retention requirements, not the other way around).

Consider the set of all officers Θ and the subset of officers Θ_{1991} from year group 1991 ($|\Theta_{1991}| = 1400$), of which we will suppose the subset $\theta_{1991} \in \Theta_{1991}$ contains all officers in Θ_{1991} who have the opportunity to leave this year (suppose $|\theta_{1991}| = 400$). If the Army needs to keep $|\Theta_{y,1991}^*| = 1300$ officers from year group 1991 for y more years, the Army must retain at least $|\theta_{y,1991}^*| = |\Theta_{y,1991}^*| - |\Theta_{y,1991} - \theta_{y,1991}| = 1300 - 1000 = 300$ of the officers faced with an exit decision. During a given year, the Army has a set θ^* of around thirty *year-group retention requirements* for each year group of officers. When we boil the retention problem down to year-group cohorts by decision points, we lend an intelligible structure for *economic mechanism design*.

Table 2: Officer Retention Auction Form:

Circle the greatest number of years you are willing to ADSO for the incentive listed in each row.

Incentive	ADSO					
Grad School (to _____)	0	1	2	3	4	5
Grad School (Army Choice)	0	1	2	3	4	5
Branch Transfer (to _____)	0	1	2	3	4	5
...						
Branch Transfer (to _____)	0	1	2	3	4	5
Military School (to _____)	0	1	2	3	4	5
...						
Military School (to _____)	0	1	2	3	4	5
Post (to _____)	0	1	2	3	4	5
...	0	1	2	3	4	5
Post (to _____)	0	1	2	3	4	5
\$10,000	0	1	2	3	4	5
\$50,000	0	1	2	3	4	5
...	0	1	2	3	4	5

Mechanism Design

The Army must retain $|\theta_{y,t}^*|$ officers from each year group t for y years at the lowest possible total cost.¹ From Figure 3, we know that there is some distribution of present value differentials $\alpha_{y,i} - \beta_i$ for each officer $i \in \theta_t^*$ and for some discrete number of years y .² We cannot easily affect the present value of utility for an officer i leaving the Army (β_i): we can only affect the present value of utility of staying an additional y years ($\alpha_{y,i}$) through offering incentives. The challenge is to construct an economic mechanism which forces each officer to signal this differential in terms of incentives for a given number of years of service obligation. Once this differential is signaled, the Army can perform

¹It is worth noting that this mechanism assumes that personnel management has taken into consideration talent and skill when "binning" officers into groups. This auction considers talent management from a constraint perspective rather than as an objective function for two reasons. First, since the Army has no generally intuitive measure for marginal product, it is difficult to model the contribution of talent to the Army in a quantitative fashion. Secondly, since this mechanism intends to minimize costs of retention, reserving one objective function permits us to perform a straightforward optimization.

²Note that $\beta_{1,i} = \beta_{y,i} = \beta_i$, since the alternative of staying in y additional years does not affect the present value of getting out immediately

a cost minimization program to meet man-power requirements, which has the flexibility of considering below-zone promotions and man-power interactions across year-group cohorts.

The auction is a well-studied economic mechanism which will allow the Army to signal the necessary officer-utility differentials. This *private-value auction* includes officers with different utility differentials, as in Figure 4. Each officer will bid on a menu of incentives can include any number of perks--pecuniary and non-pecuniary--which will keep him in the Army. Each incentive will have varied added utility for each officer (and hence making its auctioning private-value). There are many well studied auction formats, but due to the unique nature of this auction, these auction formats must be modified and adapted to suit our needs.

In order to perform a cost minimizing optimization for the officer retention problem, the Army will require a truthful assessment of an *incentive-obligation matrix*. A notional example is depicted in Table 2.

Sealed Auction Bid and Auction Rigging

The most straightforward method for signaling these values is a *sealed auction bid*, where each officer in $\theta_{y,t}$ is given the Officer Retention Auction Form, fills it out, and submits it. Collusion may be a concern with this method, however. Consider the officers $A_{y,t} = \{\theta_{y,t} | \alpha_{y,i} \geq \beta_i\}$ who will stay in the Army without any incentives, and those officers $B_{y,t} = \theta_{y,t} - A_{y,t}$ who need some incentive to stay in. If any number of officers from $A_{y,t}$ and $B_{y,t}$ are able to discuss their incentive thresholds and trust in their bidding ring, each officer can inflate his true threshold and come away with surplus incentive. A large portion of the officers¹ can benefit from collusion of any degree as long as they believe that their incentive is cheaper to the Army than the marginal contract that the Army must offer in order to meet its manpower requirements.²

Collusion Analysis

If each bidder has full information on the other bidders' incentive structures, the Army's cost structure, and the Army's manpower allocation program, there would be little room for auction design and the Army's officer retention dilemma would become a simple monopsony-buyer, cost minimization problem, since the Army could achieve the same result by performing the sealed bid auction and simply allowing collusion. Fortunately, by allowing below-zone and above-zone promotions, it is almost impossible to create one large cartel of all officers $\theta \in \Theta$ (as opposed to thirty separate auctions of each θ_n cohorts). Further, each bidder does not know whether they are competing in the $\theta_{n,1}$, $\theta_{n,2}$, or any other $\theta_{n,y}$ cohort, since that information is dynamically dependent on the Army's incentive costs (likely unknown), manpower requirements (also unknown), and the bids of all other officers θ (which could be known theoretically, but would likely not help much without knowing the latter two pieces of information).

¹Specifically, All officers in $A_{y,t}$ and $|\theta_{y,t}^* - A_{y,t}|$ officers in $B_{y,t}$.

²This contract corresponds to the $(|\theta_{y,t}^*| - n\theta)$ required incentive in a strictly ordinal fashion.

Worst Case: Conditioning a Cartel having Perfect Information

Consider the worst case where a large cartel C is comprised officers considering the exit decision and have perfect information. Let the Army's marginal cost of an officer shortage be described by the function $\Pi(\cdot)$ over some set of officers. The Army's cost of not running an auction at all is simply the aggregate cost of the shortage. When a shortage does not exist, the Army does not need to run an auction.³ With perfect information, the greatest aggregate incentive that the Army is willing to offer any cartel C is $\Pi(\theta^* - A)$, otherwise it will choose not to offer any incentives at all. The cartel C does not have any punitive power over officers who do not participate, since such action would be illegal. Therefore, an officer i will join the cartel as long as doing so guarantees him a greater payout than participating in the auction myopically. This condition is certainly satisfied for all officers in A , since they would stay in the Army without any added incentive⁴, so $A \in C$. On the other hand, only officers in B who have thresholds below the payout $\Pi(C)/|C|$ will join the cartel.⁵

This cartel will be unstable when at least one officer expects a greater myopic payout than $\Pi(C)/|C|$. Such an expectation will cause the officer to defect. By definition, the cost of that officer to the Army will be greater than the expected payout of the officer (again, because the Army will not pay more than the officer is worth), so each member of the cartel gets less of a payout than $\Pi(C)/|C|$. Snowballing occurs as other officers find it in their best interest to defect, and the cartel will diminish.

Likely Case: Conditioning a Cartel having Imperfect Information

The cartel offers officers greater payout than each constituent would expect to get individually. Unfortunately for the cartel, its

³More specifically, the total cost is $\Pi(\theta^* - A)$ when $|A| \leq |\theta^*|$ and 0 when $|A| > |\theta^*|$. In other words, the cost the loss in productivity from all officers who would leave the Army without some intervention.

⁴By definition, $\alpha_{i,y} - \beta_i \leq 0$

⁵Note that we assume perfect equity in the cartel: all participants receive equal payout from the pot after the auction.

stability depends on quantities which only the Army will know: $\Pi(C)$ and θ^* . This asymmetry of information combined with a lack of punitive power from the cartel makes it difficult to create betting rings. Further, by structuring the auction by year-groups and times, the officers do not know who they are competing against for each incentive--the dynamic program decides. Finally, the items on the incentive menu manifest differing utilities to each participant, and incentives like graduate school or branch of choice would be difficult to monetize and spread around a cartel. All of these complications make it highly improbable that a cartel would exist. Bidders will have a difficult time gaming the auction and will find it in their best interests to bid myopically.

The "A" Crowd Problem

If officers in set A could be perfectly priced, they should not even participate in the auction⁶. Unfortunately, with no cost associated with the auction, there is no reason why these officers would not bid for incentives. For this reason, we must force A -set officers to signal themselves out. The easiest way to separate the officers is to give them three options when they are at an exit-decision point: stay (under the current system), leave, or participate in the auction. If the officer is not selected for an incentive in the auction, he will be forced to leave, with no exceptions. In this way, the cost of losing the auction is already $\alpha_i - \beta_i$ and the expected outcome of choosing this path is $\rho_i(\alpha_i + t_i) + (1 - \rho_i)\beta_i$, and as a proportion of the utility of not participating, where ρ_i is officer i 's aggregate probability of winning an incentive with average utility t :

$$\frac{\rho_i \alpha_i + \rho_i t_i + \beta_i - \rho_i \beta_i}{\alpha_i} = \rho_i + \rho_i \frac{t_i}{\alpha_i} + (1 - \rho_i) \frac{\beta_i}{\alpha_i}$$

In the risk neutral case, this quantity must be strictly less than one, or the A -set officer will take the auction. This may or may not be true, depending on how much greater α_i is than β_i , how much relative value the incentives have to α_i , and the likelihood an officer assesses he

will win the auction. While we will want the perfectly priced officer to abstain from the auction, there is little reason for him to: the relative expected value of taking the auction given $\alpha_i = \beta_i$ is $1 + \rho_i \frac{t_i}{\alpha_i}$. If we can add an opportunity cost of $\rho_i t_i$ to the auction, the risk neutral officer will abstain. We will call this arrangement "option insurance."

Option Insurance

On the auction form, we will add an option to "insure" a bid. If an officer bids for insurance, he will be guaranteed the option of staying in the Army. If the officer opts for no insurance, he will be forced to leave the Army if one of his bids is not accepted. The cost of the insurance? Insured bids are submitted after some percentage of uninsured bids have been considered (the assessment of this value is discussed later).

In the uninsured case, we have found that the expected, uninsured outcome is:

$$v = \rho_i(\alpha_i + t_i) + (1 - \rho_i)\beta_i = \rho_i(\alpha_i - \beta_i + t_i) + \beta_i$$

In the insured case:

$$\mu = \rho_i^*(\alpha_i + t_i) + (1 - \rho_i^*)\alpha_i = \alpha_i + \rho_i^* t_i$$

Where ρ_i^* is officer i 's assessment of the aggregate likelihood that he will win an incentive with expected utility t . An officer selects insurance if $\mu > v$:

$$\alpha_i + \rho_i^* t_i > \rho_i(\alpha_i - \beta_i + t_i) + \beta_i$$

Note that $\rho_i \geq \rho_i^*$. Let $\delta = \alpha_i - \beta_i$. The insurance participation inequality becomes:

$$\begin{aligned} \delta + \rho_i^* t_i &> \rho_i + \rho_i t_i, \\ \delta &> \frac{\rho_i - \rho_i^*}{1 - \rho_i} t_i \end{aligned}$$

Since $\rho_i \geq \rho_i^*$, the right side is non-negative. For officers in B , δ is strictly negative, so B -set officers will never take insurance. For officers in A , δ is strictly positive, but whether it is greater than $\frac{\rho_i - \rho_i^*}{1 - \rho_i} t_i$ depends on how much the insurance "costs."

Pricing this quantity is a question of the Army's cost minimization. On one hand, increasing ρ or altering the available menu of

⁶In fact, it could be argued that they are already getting economic rents from the Army.

incentives (creating an $\frac{1}{2} < \frac{1}{2}$) will help to signal more A-officers and decrease the amount of unnecessary incentive payments. On the other hand, increasing the average payout or the likelihood of receiving a payout too much has obvious associated costs. We can assess how changing the menu structure x and the uninsured-bid priority ratio y affects the Army's expected payout to A-set officers, (y) , and distribution of insured probability-of-win estimates by A-set officers, (x) . A balance is found by a cost minimization program like $\min (y - \mathcal{F}(y))$ where \mathcal{F} is a savings function describing how many A-set officers are signaled out and not paid.

IMPLEMENTATION

Intrinsic factors

The Army has base pay rates which all officers are allotted based on time in service and grade. While there are some exceptions for doctors and highly specialized Army personnel, there is little variation in compensation based on branch. This is not simply a matter of convenience; the Army pays year-groups of officers roughly the same for cultural reasons. There exists in the officer corps a notion that being paid extra for particular job specialty is immoral, and implementing an auction to retain officers who are not slighted by this moral dilemma will present a particular challenge. Strategically couching the "insured option" or allowing officers to abstain from the auction altogether may help to alleviate some of these potential tensions. If the auction is viewed as a form of "contract negotiation" (which may or may not be pecuniary in nature), this program is likely to be much more socially and organizationally palatable.

It is difficult to ascertain what sociocultural reaction such an alternative would yield. The challenge in not implementing this program in full lies in the comprehensive nature of the assignment program. In order to gain the full benefit of asymmetric information and cost minimization from the assignment algorithm, full participation will be required. Further, simply surveying officers in a mock auction is not likely to yield compelling results (OEMA has found, for example, that less than half of

surveyed officers from any given year group is able to predict whether or not they will stay in the Army past the next decision point).

Resourcing

Manpower

In order to implement this auction, the Army will need to dedicate manpower to negotiating contract proposals with officers considering exit of the Army. Yet more manpower will be required to price each of the incentives on the contracts. Some of the incentives have costs which can be measured directly, such as monetary bonuses. The other incentives, such as graduate school to particular institutions, branching and posting of choice, etc. will need to be priced on an individual basis.

Funding

The Army's current CSRB policy, as we have seen in Figure 3, overpays a considerable amount to retain officers. By utilizing an assignment algorithm, the Army will save a commensurate amount of resources, which will more than likely pay many times over the additional resourcing requirements detailed above. By signaling much of each officer's present value differential (ideally all of it), the Army pays no more than it has to in order to maintain manpower requirements--and strictly less than traditional CSRB methods.

Further Implications

Helping to alleviate the officer corps manpower shortages shares many similarities to enlisted manpower shortages. By adapting the same sort of auction for enlisted personnel, who ostensibly are more accustomed to receiving signing bonuses than their officer counterparts, could help the Army to save even more money. Because enlisted personnel are contracted for specified amounts of time, many of the mechanics of the assignment program are simplified significantly. One alternative for piloting the officer retention program might entail revamping the enlisted retention paradigm towards an auction-centric method.

CONCLUSION

The Army is facing an officer shortage, especially in the senior-captain to major range. We have revealed this unfortunate situation to be a result of at least three distinct factors: shifts in the demand of officer jobs, shifts in the supply of officer jobs (due to external factors), and the limited lateral entry of the labor supply. Since the Army has historically fixed the price it will pay and the amount it demands, the system is overdetermined and shortages can occur. In order to retain manpower, the Army has resorted to offering bonuses to officers in return for additional service obligation. In most cases, the Army will end up paying out more than is necessary to retain the required amount of auctions. In order to have officer signal their retention price, an insured, sealed-bid auction is designed as a stop-gap measure to prevent shortfalls.

Through the use of an assignment program, the Army then minimizes the total cost to retaining manpower strengths, as complex as those requirements may be. With this algorithm, there is sufficient information

asymmetry to nominalize the effect of cartels within the auction. Insured tickets allow the Army to further signal officers who would stay in the Army without being offered any further incentives. This insured ticket approach makes it highly unlikely that these officers would form a cartel in order to maximize aggregate payout. Through implementing this auction, the Army can significantly minimize costs and ensure that manpower constraints are met over a specified duration.

Effort must be devoted to the sociological and political nature of implementing such a measure. Further, this scheme has not confronted talent management or human capital development, which is of great importance to the Army. Future work should incorporate corporate talent management's best practices into this framework to determine how the Army can insure against shortfall, increase the overall talent of its leaders, and minimize operational costs. In order to clarify the proposed officer retention policy, we will consider a very small scale officer retention problem with the conditions expressed in Table 3.

APPENDIX: MOCK OFFICER RETENTION AUCTION

Table 3: Mock Officer Retention Auction Conditions

1. Seven officers $\theta \in \{\theta_1, \theta_2, \dots, \theta_7\} \in \Theta$ decide whether to stay in the Army
2. These officers are junior and senior captains and majors where $\{\theta_1, \theta_2\} \in \mathcal{A}$, $\theta_3 \in \mathcal{B}$ and $\{\theta_4, \theta_5, \theta_6, \theta_7\} \in \mathcal{C}$
3. There are five officer jobs $j \in \{j_1, j_2, \dots, j_5\}$ which must be manned for various periods of time, according to the following schedule:
 - j_1 requires $t = 2$ years by a junior captain
 - j_2 and j_3 require $t = 1$ year by any captain
 - j_4 requires $t = 2$ years by a senior captain or major
 - j_5 requires $t = 3$ years by a major
4. The Army is offering three types of incentives a, b and c to each officer i in return for a commitment of $\Gamma = \{\gamma_1, \gamma_2, \gamma_3\}$ years, respectively. Officers can offer commitments ranging from $0 \leq \tau \leq 3$ years.
5. Alternately, the Army is offering CSRBs for commitments ranging from $0 \leq \tau \leq 3$ years, and each officer i will accept $\Pi = \{\pi_1, \pi_2, \pi_3\}$ for each respective commitment.
6. The auction permits officers to select insurance. The Army guarantees that it will accept one insured incentive. For simplicity, all officers estimate that the probability of winning their lowest priced incentive at $p = 5/7$, the ratio of jobs available to the number of officers. The probability of winning their lowest priced incentive with an insured ticket, they reason, is roughly $\beta = 1/5$.
7. If an officer is insured and loses, he will be committed for three years according to standard Army doctrine.

Officer Profiles

Each officer θ in Θ has three distinct sets of characteristics: the set of utilities of staying in t more years θ the utility of getting out β and the set of utilities of staying in after accepting an incentive (\mathcal{A}) . We will first consider what \mathcal{A} and \mathcal{B} set officers look like, and then present the full corpus of officer auction data.

Set Characterization: Officer θ

Consider a junior captain θ with $\beta = 5$ and $\{\alpha_1, \alpha_2, \alpha_3\} = \{10, 12, 10\}$ so that $\theta \in \mathcal{A}$ that is, θ will stay in for at least three years without any incentive. Officer θ will stay in regardless, so he bids high on commitment for $\{\gamma_1, \gamma_2, \gamma_3\} = \{2, 2, 3\}$, as described in the "Crowd Problem" section. The utilities associated with winning one of these contracts is $(\mathcal{A}, \gamma_1, \gamma_2) = \{11, 9, 8\}$ -- strictly greater than associated the α_i . Officer θ also bids for CSRBs. Because he is willing to stay in regardless of the outcome, he submits small bids: $\{\pi_1, \pi_2, \pi_3\} = \{1500, 2000, 3000\}$, which he will adjust according to some trade off between the likelihood his bid is accepted and his expected payout.

Officer θ anticipates that if the Army selects one of his offers, he can expect to gain β utility over θ . He reasons these quantities to be $\{\alpha_1, \alpha_2, \alpha_3\} = \{1, 2, 1\}$. Using the relation found in the "Option Insurance" section, we ascertain whether θ opts for insurance:

$$\theta \frac{\beta - \beta}{1 - \beta}$$

$$\{\alpha_1 - \beta \alpha_1 - \beta \alpha_2 - \beta \alpha_3\} \frac{\beta - \beta}{1 - \beta} \{1, 2, 1\}$$

$$\{10 - 5, 12 - 5, 10 - 5\} \frac{5/7 - 1/5}{1 - 5/7} \{1, 2, 1\}$$

$$\{5, 7, 5\} > \{9/5, 18/5, 9/5\}$$

Officer θ opts for insurance given these conditions.

B

Set Characterization: Officer φ

Consider a junior captain φ with $\varphi = 10$ and $\{a_1, a_2, a_3\} = \{5, 8, 5\}$ so that $\varphi \in \mathcal{B}$ that is, φ will leave without any incentive. Officer φ will need incentive to stay in, so he bids lower values that will retain him, $\{b_1, b_2, b_3\} = \{0, 1, 1\}$. The utilities associated with winning one of these contracts is $\{U_1, U_2, U_3\} = \{10, 10, 10\}$ -- greater than associated the a_i and equal to b_i . Officer φ also bids for CSRBs which satisfy the same relation for gaming the auction as above (they are simply monetary inversions of the required utility adjustment to stay in): $\{c_1, c_2, c_3\} = \{3500, 5000, 7000\}$.

Officer φ anticipates that if the Army selects one of his offers, he can expect to gain b_i utility over a_i . He reasons these quantities to be the same as his bids, $\{d_1, d_2, d_3\} = \{5, 2, 5\}$. Using the relation found in the "Option Insurance" section, we ascertain whether φ opts for insurance:

$$\frac{a_i - b_i}{1 - b_i} \geq \frac{c_i - d_i}{1 - d_i}$$

$$\{5 - 10, 8 - 10, 5 - 10\} \geq \frac{3500 - 5000}{1 - 5/7} \{5, 2, 5\}$$

$$\{-5, -2, -5\} < \{9, 18/5, 9\}$$

Officer φ does not opt for insurance given these conditions.

Officer Auction Bids

With $\{a_1, a_2, a_3\} \in \mathcal{A}$ and $\{b_1, b_2, b_3\} \in \mathcal{B}$ we receive back auction results reported in Table 4.

Assignment Program

Using the newly established cost assessment team, we determine the costs for each incentive bid for by the officers. Considering that we can accept one of the six bids by each officer (three incentives and three CSRBs) for a number of years of commitment, we collate each of these 42 possible contracts and their assessed costs. We note also that the insured auction tickets are essentially a free three year commitment, although we have promised to accept at least one contract from one of the insured tickets.

Consider a vector of binary variables $\{x_i\}$ where $x_i = 1$ if we accept contract i from officer i and assign him to job k and $x_i = 0$ if we do not. Vector $\{c_i\}$ contains the cost to the Army of taking on each of these contracts for all k as shown in Table 5. Vector $\{t_i\}$ contains the commitment required by the officer if the Army takes a contracts for all k as shown in Table 6.

Table 4: Mock Auction Results:

Data returned by each officer's auction ballot are reported by row.

φ	Rank	b_1	b_2	b_3	c_1	c_2	c_3	Insure?
1	jc	3	3	3	1500	2000	3000	Y
2	jc	0	1	1	3500	5000	7000	N
3	sc	3	2	3	2500	3000	4500	Y
4	sc	1	0	2	4500	5000	9000	N
5	m	3	3	2	4500	6000	8000	Y
6	m	1	1	0	6000	8000	10000	N
7	m	1	0	0	8000	10000	12500	N

Table 5: Mock Auction Results: Breakdown of the cost vector.

	i=1	i=2	i=3	i=4	i=5	i=6	i=7	Contract
j=1	5000	5000	6500	6500	8000	8000	8000	Incentive ₁
j=2	6500	6500	7500	7500	9000	9000	10000	Incentive ₂
j=3	4000	4000	7500	4500	8500	6500	8500	Incentive ₃
j=4	1500	3500	2500	4500	4500	6000	8000	CSRB _{#1}
j=5	2000	5000	3000	5000	6000	8000	10000	CSRB _{#2}
j=6	3000	7000	4500	9000	8000	10000	12500	CSRB _{#3}
j=7	0		0		0			Insured

Table 6: Mock Auction Results: Breakdown of the time commitment vector.

	i=1	i=2	i=3	i=4	i=5	i=6	i=7	Contract
j=1	3	0	3	1	3	1	1	Incentive ₁
j=2	3	1	2	0	3	1	0	Incentive ₂
j=3	3	1	3	2	2	0	0	Incentive ₃
j=4	1	1	1	1	1	1	1	CSRB _{#1}
j=5	2	2	2	2	2	2	2	CSRB _{#2}
j=6	3	3	3	3	3	3	3	CSRB _{#3}
j=7	3		3		3			Insured

Objective Function

The objective here is to minimize costs incurred by the Army for meeting its retention requirements, so the objective function is as follows:

Constraints

The Army can only take one contract from each officer:

$$\sum_{i=1}^7 \sum_{k=1}^5 x_{ik} = 1 \quad \forall i$$

The Army needs to satisfy its job requirements:

- j_1 requires $t = 2$ years by a junior captain

$$\sum_i \sum_{j=1}^7 t_{ij} \cdot x_{ij1} \geq 2 \quad \forall \{i | o_i \in O_{jc}\}$$

- j_2 and j_3 require $t = 1$ year by any captain

$$\sum_i \sum_{j=1}^7 t_{ij} \cdot x_{ijk} \geq 1 + 1 \quad \forall \{i | o_i \in O_{jc} \cup O_{sc}\}, k \in \{2,3\}$$

- j_4 requires $t = 2$ years by a senior captain or major

$$\sum_i \sum_{j=1}^7 t_{ij} \cdot x_{ij4} \geq 2 \quad \forall \{i | o_i \in O_{sc} \cup O_m\}$$

- j_5 requires $t = 3$ years by a major

$$\sum_i \sum_{j=1}^7 t_{ij} \cdot x_{ij5} \geq 3 \quad \forall \{i | o_i \in O_m\}$$

The Army keeps its promise on insured tickets:

$$\sum_{i=1}^7 x_{i7k} \geq 1 \quad \forall i, k$$

Figure 5 summarizes this integer program.

Figure 5: Mock Officer Retention Auction Assignment Program

$$\begin{array}{ll}
 \min \tilde{C}^T \cdot \tilde{X} \text{ s.t.} & \\
 \sum_{j=1}^7 \sum_{k=1}^5 x_{ijk} = 1 & \forall i \\
 \sum_i \sum_{j=1}^7 t_{ij} \cdot x_{ij1} \geq 2 & \forall \{i | o_i \in O_{jc}\} \\
 \sum_i \sum_{j=1}^7 t_{ij} \cdot x_{ijk} \geq 2 & \forall \{i | o_i \in O_{jc} \cup O_{sc}\}, k \in \{2,3\} \\
 \sum_i \sum_{j=1}^7 t_{ij} \cdot x_{ij4} \geq 2 & \forall \{i | o_i \in O_{sc} \cup O_m\} \\
 \sum_i \sum_{j=1}^7 t_{ij} \cdot x_{ij5} \geq 3 & \forall \{i | o_i \in O_m\} \\
 \sum_{i=1}^7 x_{i7k} \geq 1 & \forall i, k \\
 x_{ijk} \in \{0,1\} & \forall i, j, k
 \end{array}$$

Results

Using a branch and bound optimization method on this integer program, the Army accepts the following contracts:

- Allow o_1 to stay in the Army (3 years at no cost). Assign j_1 .
- Offer o_2 his incentive 2 (1 year at \$3500). Assign j_2 .
- Allow o_3 to stay in the Army (3 years at no cost). Assign j_4 .
- Offer o_4 his incentive 3 (2 years at \$4500). Assign j_3 .
- Offer o_5 CSRB (3 years at \$8000). Assign j_5 .

The manpower constraints have been met at a cost minimizing \$16,000 to the Army.

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DO YOU FEEL SAD TODAY? DTC ADVERTISING AND WHY IT EXISTS IN AMERICA

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The growing influence of pharmaceutical companies has made a considerable imprint on American politics over the last few decades. Notably, the companies' use of Direct-to-Consumer Advertising (DTC) through TV, radio, and newspapers has politicians and doctors alike wondering if airing commercials convincing citizens to treat their illnesses with name-brand drugs is ethical. Interestingly, the United States and New Zealand are the only two industrialized countries to allow this controversial practice. Why is DTC Advertising permissible in American society? This study delves into the inner-workings of the policy process and examines the effect of the executive, legislative, and judicial branches, as well as the unavoidable influence of interest groups on the government to answer that question. After an analysis of the Food and Drug Administration, Congressional voting behavior, Supreme Court decisions, and the vast amount of contributions from lobbyists, this study concludes that interest groups have the most effect on continuing DTC Advertising in the US.

A PAINFUL MISTAKE” was the title Time Magazine used to describe Merck’s decision to spend millions on advertising Vioxx, an anti-inflammatory prescription medicine used for arthritis relief.¹ Originally, Vioxx was supposed to be safer for treating arthritis pain than over-the-counter remedies like aspirin, ibuprofen, and naproxen. However, an independent panel concluded that taking Vioxx for more than 18 months doubled the risk of suffering a heart attack or stroke.² Merck could either keep the drug on the market (with boosted warning labels) or take it off the shelf completely and lose greater profits. Merck opted to remove Vioxx from the marketplace.³ Pfizer, the maker of a similar drug called

Celebrex, took a different track by keeping its drug in circulation but halting the advertisement of the product.⁴ By keeping its drug on the shelf, Pfizer clearly indicated that Celebrex was safe. Interestingly, the pharmaceutical giant simultaneously halted the marketing of its supposedly safe drug. Why did Pfizer draw a distinction between the sale and the advertisement of a safe product?

The marketing of prescription and over-the-counter (OTC) drugs by means of newspaper, radio, television, and internet to target consumers is known as Direct-to-Consumer Advertising (DTC). The U.S. and New Zealand are the only industrialized countries to allow this controversial practice.⁵ Since the US political system is designed to allow competing interests to affect the government and its policies, one must ask: who has the most influence in allowing such a practice to exist?⁶ Specifically, this analysis examines four possible explanations concerning

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¹ Christine Gorman, “A Painful Mistake,” *Time*, October 11, 2004, <<http://www.time.com/time/magazine/article/0,9171,995313,00.html>> (accessed March 2, 2007).

² *Ibid.*

³ *Ibid.*

⁴ Leonard J. Weber, *Profits Before People? Ethical Standards and the Marketing of Prescription Drugs* (Bloomington: Indiana University Press), 2006, 157-158.

⁵ *Ibid.*, 158

⁶ *Ibid.*, 158

the main actors in influencing policy implementation and interpretation: the Judicial Branch through the Supreme Court, the Executive Branch through the Food and Drug Administration, the Legislative Branch through Congress, and Non-State Actors through interest groups and individual contributors. This paper hypothesizes that the most accurate reason is that powerful interest groups are the most effective force influencing Congressional policy concerning this practice.

This paper proceeds as follows: Section II is a literature review that provides insight into pertinent theoretical questions dealing with the freedom of information, advertising, and efficacy in America with respect to the government's responsibility to regulate potentially harmful practices. Section III discusses the history of DTC advertising in the United States and provides an example of the controversy discussed today (specifically, the case of prescription drug medicine for anti-depression). Section IV provides evidence for the various actors who have an influence on this practice - notably decisions in the Supreme Court, the evolving regulatory power of the FDA, voting history in Congress, and the impact of lobbyists in the form of campaign finance statistics. Section V provides conclusions, confirming or denying the importance of factors, and it outlines how this and future research could apply to America's responsibility to the health of its citizens.

LITERATURE REVIEW

This section outlines the literature on two fundamental theoretical questions: the freedom of information, advertising, and efficacy in America and the government's responsibility to regulate potentially harmful practices.

Freedom of information, advertising, and efficacy in America

The Founding Fathers crafted the Constitution to guard the people from governmental infringement, most clearly delineated in the 1st Amendment of the Bill of Rights. The provision, "Congress shall make no law...abridging the freedom of speech, or of the press," represents the Framers' intention to secure liberties, yet the extent of the freedom

has been highly contested since the founding of the document.¹ From John Adams' ban on seditious print and malicious writing of the president in 1798, to Richard Nixon's attempt to bar the *New York Times* from publishing its findings on the Watergate Scandal in 1979, the "freedom of the press" concept is clearly ambiguous. As the media has grown into a powerful entity through print, radio, television, and more recently, the Internet, Americans have had difficulty defining what and how much information these media outlets are allowed to disperse.

Politicians and medical professionals debate the merits of pharmaceutical companies' practice of advertising directly to consumers. Senator Ron Wyden believes that First Amendment rights protect communication and that accurate information ought to be made available.⁷ John E. Calfee of the American Enterprise Institute asserts that DTC advertising provides valuable information to consumers and otherwise improves the health care market.⁸ However, there are others who believe the information provided through drug commercials and ads is misleading and offers little benefit to consumers. Former FDA head David Kessler notes that most drug ads are based on emotion and do not provide enough information about risks and harms.⁹ Moreover, some doctors, such as Jay Cohen, believe these ads may lead to hypochondria and force otherwise healthy people to believe they have real ailments.¹⁰ A recent study found that advertised drugs are more likely to be prescribed if the patient recalls having seen a commercial, and the probability is even greater if the patient took the next step by asking his doctor about the drug. Importantly, researchers observed these

⁷ U.S. Congress, Senate Subcommittee on Consumer Affairs, Foreign Commerce, and Tourism of the Committee on Commerce, Science, and Transportation, *Direct to Consumer Advertising (DTC)*, 107th Congress, 1st sess., 2001, S. HRG 107-986, 3.

⁸ *Ibid.*, 27.

⁹ David A. Kessler and Douglas A. Levy, "Direct-to-Consumer Advertising: Is it Too Late to Manage the Risks," *Annals of Family Medicine*, vol. 5, no. 1 (2007): 4.

¹⁰ Jay S. Cohen, *Overdose: The case against the drug companies* (New York, New York: Tarcher/Penguin Group, 2004), 156.

results after holding medical need constant.¹¹ The early contests over the freedom of the press have now developed into more complex issues that will be addressed in this analysis.

Another aspect of the relationship between freedom and DTC advertising is the belief that the populace has the right to influence its government. Thomas Jefferson wrote in the Declaration of Independence that “In every stage of these Oppressions We have Petitioned for Redress in the most humble terms: Our repeated Petitions have been answered only by repeated injury.”¹² Moreover, the belief that a democratic government should be well informed by expert opinion also drives the incentive to create interest groups.¹³ By this reasoning, complex public policy issues, such as pollution management or homeland security, require specific expertise that may be beyond the comprehension of average citizens. These groups are effectively organized; they have the capacity to find research-based solutions to complex problems, and they attempt to offer solutions that are mutually beneficial to other interest groups and policy-makers alike.¹³

Although citizens are guaranteed the right to petition their government and citizens expect the government to be well-informed, the right of governmental influence through money (lobbying) has been debated for the past two centuries. More recently, Congress passed the Lobbying Disclosure Act (1995) and the Bipartisan Campaign Reform Act (2002) in an effort to efficiently regulate lobbying in the federal government. However, even today we can see the effects of lobbying from both large businesses and consumer advocacy groups. Aside from anti-lobby rhetoric that shrouds the media, political scientists attempt to find a link between interest group action and voting behavior. John R. Wright from the University of Iowa conducted a study on interest group efforts in influencing Congressional voting behavior in the U.S. House Ways and Means and Agricultural Committees. His analysis revealed that committee-level voting is best

explained by the total number of lobbying contacts the representatives received.¹⁴ Campaign contributions appeared somewhat useful for explaining voting behavior, yet the quantity of personal contacts really made the difference. There are, however, arguments against the conventional wisdom that money buys politics. Stephen Ansolabhere, John M. de Figueiredo, and James M. Snyder Jr. review the extensive literature on interest group campaign contributions and came to the conclusion that PAC contributions show relatively few effects on the voting behavior of politicians.¹⁵ They deduce that the individuals, not lobbyist groups, produce the most contributions for candidates.

The government’s responsibility to regulate harmful practices

The concept of government regulation and the appropriateness of its reach into society often elicit heated debate. Selznick defines government regulation as “sustained and focused control exercised by a public agency over activities that are valued by a community.”¹⁶ Governments may regulate for a myriad of reasons—oftentimes to protect the public from unethical business practices, but sometimes to satisfy the powerful elites who may influence governmental regulation to favor a domestic industry (i.e. protectionism).¹⁷ Though the framework of the US political system generally concedes economic allocation to the free market, the government uses regulation to rectify certain “market failures” with public policy. For instance, if citizens enjoy fireworks but no private company is willing to host a 4th of July display – most likely because people can view the show from their homes without paying – the government provides the service in lieu of the private sector. Regarding DTC advertisement, if no

¹⁴ John R. Wright, “Contributions, Lobbying, and Committee Voting in the U.S. House of Representatives,” *The American Political Science Review*, Vol. 84, No. 2 (Jun., 1990): 417.

¹⁵ Stephen Ansolabhere, John M. de Figueiredo, and James M. Snyder Jr, “Why is There so Little Money in U.S. Politics?” *Journal of Economic Perspectives*, Vol. 17, No. 1 (Winter 2003): 114.

¹⁶ Robert Baldwin and Martin Cave, *Understanding Regulation: Theory, Strategy, and Practice*, (USA: Oxford University Press, 1999), 1-2.

¹⁷ *Ibid.*, 9.

¹¹ Stuart O Schweitzer, *Pharmaceutical Economics and Policy*, 2nd Ed, (Oxford: Oxford University Press, 2007), 99.

¹² Kenneth M. Esterling, *The Political Economy of Expertise: Information and Efficiency in American National Politics*, (Ann Arbor, Michigan: The University of Michigan Press, 2004, 1-2).

¹³ *Ibid.*, 50.

private company is willing to monitor drug prescription ads because it will fail to yield revenue, the government assumes the onus as a watchdog.

The free-market school of thought believes that extensive government oversight of the pharmaceutical industry stifles research and slows the approval of much needed drugs. Richard Epstein argues in *Overdose* that innovation is threatened by the ever-wider net of regulation in the tortuous process of drug development and marketing.¹⁸ The process of communicating drug safety to consumers is also fraught with difficulties such as over-warning and, therefore, under-use of valuable drugs.¹⁹ The Republican Party has taken action to ensure that regulations are not too overbearing and the capitalistic American economy remains mostly unrestrained. The Republicans' 2004 platform further emphasizes an "era of ownership" that provides individuals the liberty to take control of their own health without too much government interference.²⁰

On the other hand, many physicians believe that the government should play a greater role in ensuring the safety of drugs and its communication to consumers. Marcia Angell believes that the FDA needs to be strengthened as an independent agency, for it is nothing more than a pawn for drug companies.²¹ Though a drug company has the right to advertise its product, the government also has the responsibility to protect the populace against potentially harmful practices. The issue of government regulation and its

benefits/costs to society will also be addressed in this study.

DIRECT TO CONSUMER ADVERTISING AND AMERICA'S PATIENTS

Before the advent of DTC advertising, drug companies primarily directed their marketing to doctors, the main decision-makers concerning medication prescription. The FDA's regulatory power over the advertisement of prescription drugs dates back to 1962 with the passage of the Kefauver-Harris Drug Amendments. This provision transferred authority from the Federal Trade Commission (FTC) to the FDA. During the 1980s, companies began including consumers into their marketing scheme. DTC advertising in the US began in 1981 when Boots Pharmaceuticals, a British drug company whose American subsidiary was located in Louisiana, marketed an ibuprofen product in a newspaper. A year later, the FDA found itself generally unprepared for this novel concept that sparked the imagination of drug companies. The FDA Commissioner, in order to buy more time to research the subject, issued a formal request to the pharmaceutical industry for a voluntary moratorium on DTC advertisements. Given competing studies highlighting either the benefits or costs associated with the practice, the FDA pronounced its judicial authority in September of 1985 and determined that marketing campaigns directed at consumers were required to follow the same guidelines as those intended for doctors (which were generally few in number).²²

During the early 1990's, drug companies began filling magazine pages with drug ads and eventually ran ads on TV, though they were limited because the FDA did not think it was feasible to air the entire prescription label during a 30-second commercial.²³ Confusion arose over how many

¹⁸ Richard A. Epstein, *Overdose: How Excessive Government Regulation Stifles Pharmaceutical Innovation* (New Haven, Connecticut: Yale University Press, 2006), 237.

¹⁹ U.S. Congress. House Committee on Government Reform. Risk and Responsibility: The Roles of FDA and Pharmaceutical Companies in Ensuring the Safety of Approved Drugs, Like Vioxx, 109th Congress, 1st sess., 2005. H. HRG. 109-27, 82.

²⁰ "By expanding ownership, we will help turn economic growth into lasting prosperity...we trust people to make decisions about how to spend, save, and invest their own money...We want more people to own and control their health care." See The National Republican Committee, *2004 Republican Party Platform* (Jacob K. Javits Convention Center, New York, 2006): 38.

²¹ Marcia Angell, *The Truth About the Drug Companies* (New York: The Random House Publishing Group, 2004), 242-243.

²² The previous paragraph is from Francis B. Palumbo and C. Daniel Mullins, "The Development of Direct-to-Consumer Prescription Drug Advertising Regulation," *Food and Drug Law Journal*, Vol. 57, No. 3 (2002): 424-427.

²³ U.S. Congress, Senate Subcommittee on Consumer Affairs, Foreign Commerce, and Tourism of the Committee on Commerce, Science, and Transportation, *Direct to*

risks the drug companies were compelled to air. Although it is impossible to name all of the possible side effects and risks associated with a particular drug, a brief summary of the major side effects simply would not suffice. The FDA was thus left with a dilemma: the research done on TV advertising was nearly non-existent at the time, yet there was an increasing consumer demand for information. The FDA liberalized most of its regulations concerning DTC advertising in 1997; it even permitted companies to exclude detailed medical information on the risks and side effects of their products on radio and TV.²⁴ Yet the FDA's draft guidance required drug companies to reference four sources of information that the customer should seek after watching the ad, such as a toll-free number.²⁵ However, the FDA could only act on faulty ad campaigns after the TV advertisement had aired.

The issue of DTC advertising has captured the interest of many consumers and health care professionals alike because of the benefits and costs associated with the practice. Gregory Glover from the Pharmaceutical Research and Manufacturers of America (PhRMA) argues that patients suffering from chronic conditions may be dissatisfied with current treatment, but are unaware of the different options.²⁶ A survey by *Prevention* magazine found that roughly 24.7 million Americans talked to their doctors about a condition they had never previously discussed as a result of DTC advertising. Not only does DTC advertising inform Americans about possible treatment for the specific illness advertised, it also increases the likelihood they will visit their doctors and be diagnosed for other illnesses they were unaware of.²⁷

Consumer Advertising (DTC), 107th Congress, 1st sess., 2001, S. HRG 107-986, 35.

²⁴ Leonard J. Weber, *Profits Before People? Ethical Standards and the Marketing of Prescription Drugs* (Bloomington: Indiana University Press, 2006), 158.

²⁵ *Ibid.*, 35.

²⁶ U.S. Congress, Senate Subcommittee on Consumer Affairs, Foreign Commerce, and Tourism of the Committee on Commerce, Science, and Transportation, *Direct to Consumer Advertising (DTC)*, 107th Congress, 1st sess., 2001, S. HRG 107-986, 35.

²⁷ In the case of Erectile Dysfunction, for every million men who asked for Viagra (after watching Pfizer commercials with key figures such as Bob Dole), it was discovered that an estimated 30,000 had untreated

At the same time, there are compelling arguments against this form of marketing. Depression is a condition that affects millions of Americans, yet it is difficult to diagnose and even harder for a doctor to tell a miserable patient he does not need medication. Some claim DTC advertising has raised awareness of depression; others claim it convinces people they have it. In *Selling Sickness*, Ray Moynihan describes a commercial showing an irritated, depressed woman in a grocery store who could possibly have premenstrual dysphoric disorder (PMDD). The commercial was run by Lilly, a pharmaceutical company who created Prozac, and tries to reach out to women who may have this type of disorder. The problem with the subject of PMDD, along with other types of depression, is that many doctors and health professionals consider the feelings of anxiety and depression to be normal (especially in the case of PMS). Drug companies are attempting to "medicalize" society by claiming people need medication for their feelings. Brown University Professor Paula Caplan claims the condition has, essentially, been invented; there is no evidence to distinguish it from normal premenstrual difficulties.²⁸ Even the World Health Organization claims PMDD is not a disorder.²⁹ Drug companies claim that they are engaging in "awareness-raising" to inform patients about the treatment that is available for their ailments; however, critics claim they merely invent diseases and misinform healthy people into thinking they need help. Not only do these commercials sometimes invent diseases, they also tend to exaggerate the benefits and downplay the risks associated with the product. Clearly, the issue of DTC advertising has proponents for both sides of the argument.

This analysis will explore the factors put forward by Congressmen such as Senator Ron Wyden, doctors such as Jay Cohen, and health analysts like Milton Terris. Specifically, I will look at the motivation behind allowing pharmaceutical companies to air on TV despite its ill-effects and worldwide unpopularity. I

diabetes, 140,000 had untreated high blood pressure, and 50,000 had untreated heart disease. See *Ibid.*, 35.

²⁸ Ray Moynihan and Alan Cassels, *Selling Sickness: How the World's Biggest Pharmaceutical Companies are Turning Us All into Patients* (New York: Nation Books, 2005), 99.

²⁹ *Ibid.*

will argue that lobby groups have the greatest influence on maintaining the relatively unregulated nature of DTC advertising in the US.

WHO REALLY HAS THE INFLUENCE? AN ANALYSIS OF POLITICAL EFFICACY

Methodologically, this analysis weighs the competing influences of the three main branches of government and interest groups in determining which actor has the most influencing in allowing DTC advertising to exist in America.

Protecting the 1st Amendment through Judicial Review

Though the Congress crafts, debates, and passes bills, the federal judiciary has the final say in interpreting statutory laws and the Constitution. The courts have long viewed advertising as a form of “commercial speech” and have ruled against these types of 1st Amendment breeches. The first of such cases occurred in 1975 when the Supreme Court ruled in *Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council* that the state could not prevent pharmacies from posting drug prices, which the government feared would coerce consumers to purchase the cheapest brands.³⁰ After a few other victories for free information advocates in the 1970’s, the Court adopted a set of criteria, known as the “Central Hudson Test,” that currently used today to determine whether a ban on commercial speech is acceptable.³¹ The test, coined after a 1980 decision, determines whether the advertising is misleading, whether banning it directly advances a compelling government interest, and whether the government’s interest could be advanced through less restrictive means (essentially applying strict scrutiny).³²

Recently in *Thompson v. Western States Medical Center*, the Supreme Court struck

down a provision in the FDA Modernization Act (FDAMA) that prohibited pharmacies from advertising compound drugs—blended medication intended to meet the needs of individual patients.³³ The 5-4 decision majority rejected the view that people will make bad decisions if given truthful information. To them, the ban on all advertisements for compounding was too restrictive because it would prevent useful speech, such as drug companies advertising to doctors about medication for special patients.³⁴ Opposing this view, the dissent held that the government feared that coercive marketing could put citizens who did not need such drugs at risk because it would cause them to convince their doctors to proscribe the medication anyway.³⁵ Moreover, the dissent held that the doctor-patient relationship should be emphasized instead of the drug company-consumer commercial link. Though this case does not provide the ubiquitous answer on the question of DTC advertising, University of Florida Law Professor Lars Noah notes that this ruling is, “about as on-point to the question of a [DTC] ban as you’re going to get.”³⁶ Furthermore, if Congress passed a comprehensive ban on DTC advertising, the Court would most likely strike it down, establishing a precedent that would block future attempts to regulate the practice. Thus, not only has the Judicial Branch had a substantial influence by setting precedents that would challenge the infringement of commercial free speech, it also discourages any attempts at a comprehensive ban of DTC advertising.

The Executive: The FDA as an Impotent Watchdog

Though the court would most likely overturn an all out ban on DTC marketing, the FDA has attempted to regulate the practice to various degrees. Currently, drug companies are required by law to send their DTC ads to the FDA when they launch a new ad campaign.

³⁰ Miriam Schuchman, “Drug Risks and Free Speech—Can Congress Ban Consumer Drug Ads?” *The New England Journal of Medicine*, (May 31, 2007): 2237, Accessed February 23, 2009 from <http://content.nejm.org/cgi/content/full/NEJMp078080>.

³¹ *Ibid.*

³² *Ibid.*

³³ *Ibid.*

³⁴ Francis B. Palumbo and C. Daniel Mullins, “The Development of Direct-to-Consumer Prescription Drug Advertising Regulation,” *Food and Drug Law Journal*, Vol. 57, No. 3 (2002): 441.

³⁵ *Ibid.*

³⁶ *Ibid.*, 442.

The FDA must assure they contain a “true statement” of information, must not be false or misleading, and present a fair balance of the risks and benefits of the drug.³⁷ Moreover, drug companies may voluntarily submit draft versions of DTC advertising material to the FDA prior to release for advisory comments, though it is nonobligatory.³⁸ PhRMA has recommended that manufacturers delay campaigns for new drugs whose safety risks yet unknown and encourage companies to wait until health professionals have been sufficiently educated.³⁹ Bristol-Meyers Squibb took notice and announced in 2007 a voluntary moratorium on DTC advertising for new drugs in the first year after FDA approval.⁴⁰

Despite these voluntary recommendations and actions, a few signs reveal that the FDA is growing incapable of effective oversight. Reviewing advertisements before and during marketing campaigns is difficult; the FDA is significantly understaffed and becoming increasingly ineffective. In 2002, three FDA staff members were tasked with reviewing DTC advertisements; in 2003, this number grew to four, but the volume of advertisements grew 45%.⁴¹ For those marketing campaigns that do not meet the standards, the FDA has few reprimands at its disposal. Additionally, if the FDA identifies substandard campaigns, it may issue two types of letters to the violator: a “warning letter” or an “untitled letter.” A warning letter is used for violations that may lead the FDA to pursue additional enforcement if necessary and an untitled letter merely suggests the company revoke the particular campaign or commercial.⁴² Even a warning letter, which

must be reviewed by the FDA’s legal office, has little effect; Pfizer, for instance, has received four letters in four years about misleading ads for Lipitor and has not yet been taken to court.⁴³ The number of letters sent by the FDA to drug companies fell from 142 in 1997 to only 21 in 2006. This can either mean drug companies are becoming more compliant or the FDA is not efficient enough to closely examine the myriad of submissions it receives. FDA officials note the time dedicated to writing a letter has had an impact on this drop. A new legal review standard issued in 2002 by the Secretary of Health and Human Services began requiring that all draft FDA regulatory letters be reviewed and approved by the FDA’s office of Chief Counsel before they are delivered. The Government Accountability Office (GAO) found that this new requirement led a substantial increase in time to issue the letter, from an average of two weeks in 1997 to five months in 2004.⁴⁴ By six months, most drug companies had already pulled outdated commercials from the air. Senator Wyden believes the American people are concerned that the government isn’t doing enough to regulate this form of advertising.⁴⁵

The Overwhelming Republican Influence in Congress

The legislature’s motives and responsibility to its citizenry comprise an important topic in political science and disparate theories attempt to explain member voting behavior. Shepsle and Weingast contend that legislators’ preferences are a direct function of district-level preferences, though they may be ill-informed.⁴⁶ In other words, the behavior of the representative is purely based on the geography and social dynamic of a

³⁷ Maria Crosse, United States Government Accountability Office Testimony Before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives, *Prescription Drugs: Trends in FDA’s Oversight of Direct-to-Consumer Advertising*, May 8, 2008, GAO-08-758T, 4.

³⁸ *Ibid.*, 1.

³⁹ Julie M. Donohue, Marisa Cevasco, and Meredith B. Rosenthal, “A Decade of Direct-to-Consumer Advertising of Prescription Drugs,” *The New England Journal of Medicine*, (August 2007): 679.

⁴⁰ *Ibid.*

⁴¹ *Ibid.*

⁴² Maria Crosse, United States Government Accountability Office Testimony Before the Subcommittee

on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives, *Prescription Drugs: Trends in FDA’s Oversight of Direct-to-Consumer Advertising*, May 8, 2008, GAO-08-758T, 5.

⁴³ *Ibid.*, 124.

⁴⁴ Maria Crosse, United States Government Accountability Office Testimony Before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives, *Prescription Drugs: Trends in FDA’s Oversight of Direct-to-Consumer Advertising*, May 8, 2008, GAO-08-758T, 9.

⁴⁵ *Ibid.*, 3.

⁴⁶ Kenneth A. Shepsle and Barry R. Weingast, “Political Solutions to Market Problems,” *American Political Science Review*, No. 78, 1984: 419).

constituency, regardless of the cost or benefits of the policy to the represented. Applied to DTC advertising, politicians may vote purely based on the number of anti-drug company letters they receive from those they represent. Given the fact that the representative must deliver the will of his/her people, an unpopular vote on an important issue could spell disaster for re-election. This direct responsibility theory stands in stark contrast to the “trustee model” for politicians, which holds that legislators are given free rein regarding elusive topics, and they often exploit citizens’ ignorance.⁴⁷ If certain representatives are morally opposed to DTC advertisement, or if they receive substantial funding regardless of their constituencies’ preferences, they may vote on the issue without concern for those they represent. Nevertheless, these representatives are often elected because the citizens agree with their basic principles and trust them with difficult decisions.

These types of models are both represented by Congress concerning DTC advertising, though Republicans seem to favor DTC advertising more than democrats do. Republican Senator Peter Fitzgerald, though concerned that drug marketing has increased usage of prescription drugs over the past few years, is reluctant to ban the practice. He believes that the onus is on the consumer to develop skepticism.⁴⁸ Senator Fitzgerald’s view on consumer responsibility coincides with the Republican doctrine of “an era of ownership” that gives citizens the liberty to decide for themselves. Most Democrats have expressed their disapproval for DTC advertising. “These ads are crazy,” said Rep. Richard Gephardt (D-MO). “It makes no sense. Doctors need to prescribe drugs, not television ads.”⁴⁹ Nevertheless, the closest the Democrats came to restricting drug advertising was with the

Edwards-Harkin amendment to the Drug and Medicaid Bill, proposed by Democratic Senators John Edwards and Tom Harkin. However, this measure was defeated by 39 to 59 votes in 2003 when the Republicans had a substantial majority in the Senate.⁵⁰ The Democrats made further attempts at either banning or restricting the practice, especially after they gained a majority in both houses in 2006. Two drug safety bills introduced in 2006 and 2007, one sponsored by Senators Edward Kennedy and Michael Enzi and the other by representatives Henry Waxman and Edward Markey, sought to either require pre-clearance of DTC advertising by the FDA or attach an amendment that would place a two-year moratorium on new commercials when the results of tests are not adequate for public health.⁵¹ Nevertheless, Republican Senator Pat Roberts revised Kennedy-Enzi “Food and Drug Revitalization Act” by eliminating the aforementioned restrictions and the Senate passed this new version.⁵²

Although several Congressional committees have conducted hearings on DTC advertising, no committee in the House of Representatives or Senate has approved a limit on DTC ads, even though several House and Senate Democrats have introduced bills that would restrict or deny the practice. Whether Congressional members are acting in their own self-interest or for their constituencies is unclear unless we examine who is making sure they will be re-elected in the next campaign.

Non-State Actors: the Powerful Impact of Money on Policy

After careful analysis of politicians’ personal concerns and party concerns, it is necessary to

⁴⁷ Kenneth M. Esterling, *The Political Economy of Expertise: Information and Efficiency in American National Politics*, (Ann Arbor, Michigan: The University of Michigan Press, 2004, 27).

⁴⁸ “But I’m not sure that I would ever want to go so far as saying that we should prohibit or ban companies from making those advertisements...I think consumers probably have to develop a healthy degree of skepticism.” See *Ibid.*, 49.

⁴⁹ Jim Davidson, “DTC Advertising Is Lighting Up Politics Like a Pinball Machine,” *DTC Perspectives*, Accessed April 23, 2007, <<http://www.dtcperspectives.com/content.asp?id=169>>.

⁵⁰ “Daily Digest - Thursday, June 26, 2003,” *The Library of Congress*, Accessed April 22, 2007, <[http://209.85.165.104/search?q=cache:F5YK0UjAuZQJ:thomas.loc.gov/cgi-bin/query/B%3Fr108:%40FIELD\(FLD003%2Bd\)%2B%40FIELD\(DDATE%2B20030626\)+Edwards-Harkin+amendment&hl=en&ct=clnk&cd=6&gl=us](http://209.85.165.104/search?q=cache:F5YK0UjAuZQJ:thomas.loc.gov/cgi-bin/query/B%3Fr108:%40FIELD(FLD003%2Bd)%2B%40FIELD(DDATE%2B20030626)+Edwards-Harkin+amendment&hl=en&ct=clnk&cd=6&gl=us)>.

⁵¹ Miriam Schuchman, “Drug Risks and Free Speech—Can Congress Ban Consumer Drug Ads?” *The New England Journal of Medicine*, (May 31, 2007): 2236-2237, Accessed February 23, 2009 from <http://content.nejm.org/cgi/content/full/NEJMp078080>.

⁵² “Government Affairs: DTC Prescription Drug Advertising.” American Advertising Federation, September 2008. Accessed February 21, 2009 from <http://www.aaf.org/default.asp?id=248>.

examine arguably the most important factor that influences their decisions: lobbying. After news concerning the Edwards-Harkin Bill amendment spread to newspapers, certain freedom of information advocacy groups began sending letters to Congressmen in order to stop the bill. In a generic Congressional letter, the Freedom to Advertise Coalition thanked the recipient politician for blocking the bill and highlighted the benefits of advertising and how consumers desire DTC advertising.⁵³ A day after the Edwards-Harkin vote took place, a statement from the Association of National Advertisers proudly proclaimed:

“ANA worked closely with our pharmaceutical company members and other industry groups to oppose both versions of the Edwards/Harkin amendment... This was an important victory for the entire advertising community.”⁵⁴

The ANA alludes to the most important lobbyist for drug companies: PhRMA, which has had an immense effect on campaigns and the legislature. Milton Terris of the *Journal of Public Health Policy* reveals that pharmaceutical companies and interest groups (notably PhRMA) provided substantial amounts of money and ‘educational grants’ for Republican candidates in 2002.⁵⁵ He adds that it is no wonder that the Republicans’ bills thereafter called for the subsidizing of insurance companies to offer drug coverage to Medicare beneficiaries, while the Democrats wanted to require standardized drug benefits

to Medicare packages.⁵⁶ Drug companies also lobby doctors and medical professionals just as they do Congress. Michael Wilkes, the Vice Dean of Medical Education Professors of Medicine and Public Health, believes that doctors and medical journals have been bought out by the generous gifts provided by PhRMA.⁵⁷

Pharmaceutical and health-care companies (including PhRMA) provided more than \$20 million for Republican candidates in 2002.⁵⁸ Ralph Nader’s Public Citizen has analyzed PhRMA’s campaign contributions and found that PhRMA quietly channeled as much as \$41 million to four stealth PACs in 2002 to help elect a Congress sympathetic to the pharmaceutical industry’s interests.⁵⁹ With the influence of free information and drug interest groups, it is apparent that politicians (notably Republicans) were influenced to allow DTC advertisement to exist in America.

So what about the interest groups against DTC advertising? One coalition of interest groups that has come to the forefront of the anti-DTC advertising movement is RxHealth Value. This interest group, comprised of a deliberative body of thirty consumer groups, labor unions, provider groups, business groups, and health professionals, lobbies Congress to stop this

⁵³ “...we thank you for opposing the original Edwards/Harkin Amendment and hope you will oppose the revised amendment and other efforts to impose new restrictions on prescription drug advertising.” See Freedom to Advertise Coalition. Letter to Anonymous Senator, June 24, 2003. From the *American Advertising Federation*. Accessed April 23, 2007. <http://www.aaf.org/government/legislative_20030624_fac.pdf>.

⁵⁴ Dan Jaffe. “Senate Overwhelmingly Rejects Edwards/Harkin Amendment To Restrict Prescription Drug Advertising.” *The Association of National Advertisers*. June 26, 2003. Accessed April 22, 2007. <http://www.ana.net/govt/what/06_26_03.cfm>.

⁵⁵ Milton Terris, “The Drug Companies and Politics,” *Journal of Public Health Policy*, vol. 23, no. 4 (2002): 498-499.

⁵⁶ Also, Ralph Nader’s *Public Citizen* adds that as drug prices for the elderly became a hot issue in the 2000 presidential election, the drug industry also financed a front group called Citizens for Better Medicare (CBM) that spent between \$30 million and \$50 million on issue ads that criticize Democratic prescription drug plans. See “Rx Industry Goes for KO: Drug Companies Spend Record Amount This Election Cycle,” *Public Citizen*, November 2000, Accessed 6 March 2007, <http://www.citizen.org/congress/reform/drug_industry/contribution/articles.cfm?ID=799>.

⁵⁷ U.S. Congress, House Committee on Government Reform, “Risk and Responsibility: The Roles of FDA and Pharmaceutical Companies in Ensuring the Safety of Approved Drugs, Like Vioxx,” 109th Congress, 1st sess., 2005. H. HRG. 109-27, 109.

⁵⁸ Milton Terris, “The Drug Companies and Politics,” *Journal of Public Health Policy*, vol. 23, no. 4 (2002): 498-499.

⁵⁸ *Ibid.*, 51.

⁵⁹ “PhRMA Appears to Have Funneled Up to \$41 Million To “Stealth PACs” to Help Elect a Drug Industry-Friendly Congress,” *Public Citizen*, September 20, 2000, Accessed 6 March 2007, <http://www.citizen.org/congress/reform/drug_industry/contribution/articles.cfm?ID=799>.

practice.⁶⁰ RxHealth Value calls for stricter FDA control of commercials that air on TV and for the government to conduct more balanced research on the topic. Mark Cloutier, policy director of RxHealth Value, wrote in a prepared statement to Congress, “Such advertising can obscure potential hazards of the pharmaceutical advertised and neglect the relative value of other forms of therapy.”⁶¹ Another smaller (and less powerful) interest group, the Public Citizen’s Health Research group, has also called for the elimination or at least greater regulation of DTC advertising in America. Director Sydney Wolfe spoke in front of a Congressional committee and asserted that the FDA is inadequate to monitor the accuracy of drug safety and these ads greatly skew patients’ perceptions.⁶² Although these lobbyists represents a broad range of concerned groups, the fact that only two out of eight interest groups who were asked to speak at a Congressional hearing believed that DTC advertising should be limited or eliminated represents the view of Congress on the issue. Also, these groups are trumped by the amounts of money that PhRMA, ANA, FAC, and EthicAd pour into Congress to allow the use of DTC advertising. Therefore, pro-DTC interest groups have a greater influence than anti-DTC advertising advocacy groups on Congress; this may be why the practice is permissible in the United States.

CONCLUSION: LOBBYISTS MAKE THE CRITICAL DIFFERENCE

Although individual politicians believed there is merit in consumer education and the Republicans successfully blocked any bills concerning regulating DTC advertising, the influence of interest groups on Congress was the most significant factor in allowing DTC advertising to exist in America. The federal bench clearly has the final word in interpreting the law, yet the split decision in *Thompson v. Western States Medical Center* shows that

presidentially-appointed justices in the future could overturn the ruling on DTC advertising, especially if more information reveals the harmful effects in the future. Though the FDA is clearly too understaffed and underfunded to be effective in its oversight, the fact is the agency’s role to regulate the practice has been determined to be legal and constitutional by the Supreme Court and Congress. Republicans have been effective in blocking most measures to either regulate or ban the practice, yet their motivation in doing so is at the heart of the issue. The statistics on campaign finance show that freedom of information and drug company interest groups not only flood politicians’ inboxes, but also pour money into their campaigns. Therefore, the pro-DTC advertising interest groups were able to overcome the opposition in allowing this practice to survive in America.

Future research could possibly explore why other major bills concerning DTC advertising were not introduced, why the FDA did not play a larger role in its regulation, and if the new Democratic controlled House and Senate will change the law in favor of consumer advocacy groups. This would be interesting because in relative terms, the topic of DTC advertising is still in its early stages. Because the Republicans were in control for most of the controversy, the next few years could possibly spell the end of DTC advertising.

The relevance of this subject is derived from the fact that the pharmaceutical industry in the US now spends more than \$3 billion a year on DTC advertising.⁶³ With the increasing costs of marketing, researchers have wondered whether DTC advertising has led to an increase or decrease in the price of drugs, especially since there was a 19% increase in the cost of drugs in 2000.⁶⁴ The FDA reviews roughly 32,000 ads a year, each commercial reaching millions of viewers. It seems DTC advertising affects most Americans in some way. The most interesting aspect of DTC

⁶⁰ U.S. Congress, Senate Subcommittee on Consumer Affairs, Foreign Commerce, and Tourism of the Committee on Commerce, Science, and Transportation, *Direct to Consumer Advertising (DTC)*, 107th Congress, 1st sess., 2001, S. HRG 107-986, 50.

⁶¹ *Ibid.*, 51.

⁶² *Ibid.*, 31.

⁶³ Ray Moynihan and Alan Cassels, *Selling Sickness: How the World’s Biggest Pharmaceutical Companies are Turning Us All into Patients* (New York: Nation Books, 2005), 101.

⁶⁴ U.S. Congress, Senate Subcommittee on Consumer Affairs, Foreign Commerce, and Tourism of the Committee on Commerce, Science, and Transportation, *Direct to Consumer Advertising (DTC)*, 107th Congress, 1st sess., 2001, S. HRG 107-986, 8.

advertising is its broad implications for the future. Since the Democrats took control of Congress, it is possible that the view on drug marketing could change. A ban or greater regulation on DTC advertising would not only signify government interference in the private sector, it would also change the outlook on the government's responsibility. Within the next few years, the US could possibly see an energized Congress with new goals and policies for the health of America. Perhaps even a transition from a Republican era of "ownership" to a Democratic era of "welfare and responsibility."

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NEW JERSEY'S PRIMARY PROBLEMS: THE RATIONALE BEHIND NEW JERSEY'S MOVE TO SUPER TUESDAY

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This paper discusses the 2008 Presidential primary, in particular, the national trend for states to move their primary dates earlier to Super Tuesday. Specifically, it seeks to answer the question why, on April 1, 2007, did the New Jersey legislature vote to move its primary date to February 5, 2008 (Super Tuesday)? After reviewing literature from scholars regarding primaries in general, it evaluates possible reasons for this change. It concludes that the main reason for New Jersey's moving its primary date to Super Tuesday was because New Jersey wanted a greater influence on the election. Additionally, the fact that New Jersey wanted to have a fairer candidate selection for the electorate proves to be a secondary reason for the date change. Finally, the possibility that bringing more money into the state of New Jersey as a result of campaigning was a reason for the change proved to be less of an impetus for change than other factors.

THE 2008 Presidential election was unlike any that has occurred in the United States to date. For the first time in decades, an incumbent President or Vice President did not run for election or reelection under their party's ticket. This fact, combined with the overwhelming unpopularity of the Bush administration, caused a scramble during the nomination process as candidates vied for their respective party endorsements. Greater emphasis was placed on the early stages of the campaign, resulting in more dollars to be spent sooner and more candidates to attempt to gain the nomination from their respective parties. This new emphasis caused the Presidential primary race to be more newsworthy sooner and for longer than in almost any previous election. In the past, one of the two major parties had its nomination locked in with a sitting President or incumbent Vice President, while the other usually had two or three viable candidates competing for the nomination. The electorate rarely tuned in until after both sides of the race

were set. In 2008, when the nominees were not so obvious, the primaries saturated the airwaves as the media provided constant coverage of the state-by-state races where candidates struggled to gain more party delegates. A key date in this primary season was February 5, 2008, dubbed "Super Tuesday." On this date, 25 states and territories held their Presidential primary elections for either one or both parties.¹ However, in February 2007, only eight states had their primary scheduled for this date; there were three "Super Tuesdays" with roughly eight states' primaries on each day.² Over the course of the next year, 16 states voted to move their primary date up to February 5, 2008, one of which was New Jersey.³ There are many theories as to why states voted to move their dates up, and this discussion hopes to evaluate the reasoning behind one state's decision. Why, on April 1, 2007, did the New Jersey legislature vote to

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¹ The New York Times, *2008 Presidential Election Guide*. February 2008.
<http://politics.nytimes.com/election-guide/2008/primaries/republicanprimaries/index.html>
(accessed February 22, 2008).

² *Ibid.*

³ *Ibid.*

move its primary date to February 5, 2008 (Super Tuesday)?

This national trend was provoked for many reasons. Its spark was the fact that no incumbent President or Vice President was running for election. Consequently, neither party's nominations were clear early on. Each state wished to have the power and publicity that result from having early primaries and caucuses, so many moved their primary to up to an earlier date. But why specifically did New Jersey hop on the national bandwagon? The most likely reason is a simple one: to make New Jersey's influence on the national election more consequential. New Jersey wanted a greater (and earlier) say in the Presidential primary, and New Jersey Senate President Richard J. Codey agreed. "It's time we stopped being the Rodney Dangerfield of Presidential primaries and sent a clear message to candidates: Welcome to New Jersey," he said upon the passage of the new legislation.⁴

In order to evaluate this hypothesis, a literature review will first be conducted. Following this will be an outline of the case for this topic, and evidence to support that case. The evidence section will be subdivided into four supporting sections. Finally, a conclusion will be drawn and summarized.

LITERATURE REVIEW

While there is limited research relating to this contemporary phenomenon, much scholarly work exists on the Presidential primary system in the United States. "Of all the major institutions and processes in contemporary American government, few have been as consistently controversial as the Presidential nomination process," writes William G. Mayer in *The Front Loading Problem in Presidential Nominations*.⁵ The Presidential primary has come a long way since the days of George Washington. The primary's goal is to formally elucidate, through the winning of delegates state by state, the best candidate for the party to endorse in the upcoming Presidential

election. The system began after George Washington's announcement that he would not seek a third term as President. During that time, political parties had a limited window to solidify their nominations, which they did through caucusing.⁶ This process was formalized by 1800 and remained that way until 1820. Following a brief transition period, it was then transformed into a national convention system in 1831.⁷ 1901 marked the first year the direct primary system was implemented, when Florida voted to have their nomination chosen by the people.⁸ This system continued relatively unchanged until Manning J. Dauer's landmark article, *Toward a Model State Presidential Primary Law*. He outlined a variety of minor changes and additions to the Florida primary law and posited that a similar one be adopted by all states.⁹ A decade-and-a-half later, his requests were answered by the McGovern-Fraser Commission, which "reformed" the rules governing the primary, to include delegate selection, conventions, and other aspects of the decision-making process, amid a flurry of criticism.¹⁰ Since then a large number of commissions have looked to reform various contentions with the primary system, helping to develop the system used today. For most states, it is a winner-take-all primary for Republicans and a proportional one for Democrats. The current system is based on an ever-changing calendar of dates, which climaxes on "Super Tuesday" in February. Today, politicians across the board still call for reforms in many areas.

A state's influence on the election has been a contention during the presidential primary since its inception as states compete for an earlier primary date. Traditionally, Iowa and New Hampshire hold the first caucus and primary, respectively. As a result, much emphasis is placed on these states during the early primary season. According to Scala, New

⁴ Ronald Smothers, "New Jersey Moves to Join Early Presidential Primaries," *The New York Times*, February 27, 2007: 2.

⁵ William G. Mayer, *The Front Loading Problem in Presidential Nominations*. Washington, D.C.: Brookings Institution Press, 2004. 1.

⁶ Robert E. DiClerico, *Choosing Our Choices: Debating the Presidential Nominating Process*. New York, NY: Rowman & Littlefield Publishers, Inc., 2000. 4-5.

⁷ *Ibid.*

⁸ *Ibid.*

⁹ Manning J. Dauer, "Toward A Model State Presidential Primary Law." *The American Political Science Review*, 1956: 138-153.

¹⁰ *Ibid.*

Hampshire “sets the stage and affects candidates’ odds of failure and success.”¹¹

States battle for earlier primaries in order to set this stage and hold greater influence in the nominative process. Early primaries quickly dictate which candidates are most popular and grant those who pull ahead early a clear advantage. As the UVA Center for Government Studies has concluded, this problem is one that has caused many states to change their primary date:

“As states are left to set their own primary schedule, those states which traditionally fell towards the end of the primary schedule have pushed their dates earlier, while those states traditionally at the beginning of the calendar have pushed further forward to maintain their ‘first’ status.”¹²

A state’s primary date allows it to have a much greater influence on the outcome of the election itself. Scala contends that the earliest primaries are “a barometer of Presidential Primary success” and uses numerous case studies to show how the early New Hampshire primary is indicative of the eventual end results of the overall primary. He illuminates that this occurs not because of the demographics of New Hampshire but rather because of opportunities that are afforded to states that come first. Bartels outlines the nature of momentum and how critical early races are to establishing it.¹³ States with earlier primaries play a key role in establishing this momentum, empowering the state itself as well as the candidate.

This phenomenon has caused candidates to charge hard on the early primaries, gain band-wagon support, and then ignore primaries that fall later in the season, perhaps even after their nomination has been

secured. When comparing candidates’ performance during the races in these early states, the competition is fiercer and more pointed. Benoit discusses the importance of debates in states with early primaries. He concludes that “more utterances address[ing] policy” and that “more [focus] on general goals and ideals” occur during the early primary discourse and debates, indicating that more attention is paid to important evaluative aspects of the candidates during these debates.¹⁴

Scholars also agree that when debates occur in states with early primaries, those states become the focus of much more media attention and, consequently, national publicity. The quality and quantity of internal media coverage is affected.¹⁵ Kathleen E. Kendall explains this aptly, “On March 9, only 18 days after the New Hampshire primary, the networks began to speak as though the primary contest was over. Media coverage dropped off precipitously from March on, true to the pattern found in primaries through history: no contest, no coverage.”¹⁶

The role of the electorate in candidate selection is also critically linked to a primary’s date. Candidate selection is, after all, the purpose of primaries. With an earlier state Presidential primary date, the pool of candidates is very large, and scholars argue that this factor is an important criterion for many states’ desiring earlier primaries. Iowa and New Hampshire have many more names on the ballot than any post-Super Tuesday primary, affording many more choices to their populace during the race. Mayer’s work, *The Front-Loading Problem in Presidential Nominations*, gives a name to this phenomenon and categorizes it in the American political system.¹⁷ He argues that because of the “front-loading” of political primaries during a few

¹¹ Dante J. Scala, *Stormy Weather: The New Hampshire Primary & Presidential Politics*. New York, NY: Palgrave Macmillan, 2003. 45.

¹² The UVA Center for Government Studies. “Nominating Process.” *The National Symposium Series Report*, 2001. http://www.centerforpolitics.org/reform/report_nominating.htm (accessed February 25, 2009).

¹³ Larry M. Bartels, *Presidential Primaries and the Dynamics of Public Choice*. Princeton, NJ: Princeton University Press, 1988. 140-143.

¹⁴ William L. Benoit, *The Primary Decision: A Functional Analysis of Debates in Presidential Primaries*. Westport, CT: Praeger Publishers, 2002. 115-121.

¹⁵ The UVA Center for Government Studies.

¹⁶ Kathleen Kendall. “Communication Patterns in Presidential Primaries 1912-2000: Knowing the Rules of the Game,” research paper for the Joan Shorenstein Center on Press, Politics, and Public Policy. June 1998, pp. 11-12.

¹⁷ William G. Mayer. 4-12.

short weeks, the true consensus of the American people is ultimately flawed.¹⁸ Mayer further demonstrates that the worst consequence of this occurring is the effect on candidate choice, particularly because it locks in the front runner.¹⁹ He writes that only a candidate who is well-known and well-funded will have the ability to break through during this early rush, and then, applying his other consequence of unstoppable momentum, he or she will be a clear choice by the time of the party convention.²⁰ Butler states, “voters theoretically get to pick the candidates, but in practice...the contest is over before it even begin[s]...after [primaries] in a handful of states.”²¹ One can see how easily ballots will differ from state to state and how results can quickly become skewed.²² With a clear front runner decided within the first few primaries, dropouts occur and whittle the list down to two candidates who are then placed on the ballot in the later states, thus affording the voters a different choice than at the beginning.²³

In light of these facts, many states feel a need to move their primary up. “Many states push their nominating contest further up in the calendar with the hope of increasing the role their citizens play in the process,” concludes the UVA Center for Government Studies.²⁴

New Jersey’s Influence on the Election

The conditions underlying New Jersey’s changing of their presidential primary date may help to illuminate why influence was the most pivotal reason behind the legislation’s passage. The bill began as New Jersey State Senate No. 2193, “An Act Changing the Date of Presidential Primary Elections and Amending Various Parts of the Statutory Law” and was sponsored by Senate President Richard J. Codey, and Senator Ellen Karcher.²⁵ It passed in the Senate with a vote of 33-5, then went on

to the Assembly and passed 57-20-2.²⁶ Research suggests that it received little opposition in both houses, as the lifespan of the bill only shows its introduction, passage in the Senate, movement to the Assembly State Government Committee, tabling, and passage.²⁷ It passed unanimously in committee and was well received by seven Assembly sponsors, one of whom was also a committee member. Mims Hackett, the committee member who also signed on as a sponsor, stated, “This change will force presidential hopefuls to address the issues important to New Jersey... and not just the parochial concerns of a few.”²⁸ His remarks seem to reflect the aforementioned hypothesis as to why this bill became law; namely, the fact that an earlier primary would greater shape election focus. The power and publicity of Iowa and New Hampshire could now, at least in part, be felt by these legislators’ constituents come Super Tuesday. It seems that this reason was paramount among legislators as the driving force behind the quick and seamless passage of Senate No. 2193.

Much conclusive evidence exists to prove the importance of New Jersey’s election influence to legislators as they passed this bill in 2007. That is not to say that other secondary or tertiary factors did not play into decision-making; rather, that all other reasons stem from this underlying fact. An appeal to three areas will help to prove this hypothesis. The staunch support for the bill by legislators, the reception of the legislation by both the state executive and the media, as well as the contentions of the twenty Assembly “nay” votes, will clarify why this bill passed.

Strong Internal Support

New Jersey was in quite the opposite situation as Iowa and New Hampshire prior to this legislation’s passage. Perhaps the most underreported fact regarding New Jersey’s decision to switch dates was to move out of last

¹⁸ *Ibid.*

¹⁹ *Ibid.* 64-79.

²⁰ *Ibid.* 64-81.

²¹ R. Lawrence Butler. 6.

²² *Ibid.*

²³ *Ibid.* 1-12.

²⁴ The UVA Center for Government Studies.

²⁵ *An Act Changing the Date of Presidential Primary Elections and Amending Various Parts of the Statutory Law*, 2193 (New Jersey State Senate, April 1, 2007).

²⁶ New Jersey Legislature, *Bills 2006-2007*. January 2008. <http://www.njleg.state.nj.us/bills/BillView.asp> (accessed April 3, 2008).

²⁷ *Ibid.*

²⁸ Derek Roseman, *Bill Giving NJ Voters Early Presidential Primary Signed By Governor*. Press Release, Princeton: New Jersey General Assembly, 2007.

place in the presidential primary calendar.²⁹ When combined with a national trend to move primary dates up, this impetus explains the change in the New Jersey legislature.

The bill began as a directive from the State Senate President, and was supported throughout both parties. State Senator Karcher, one of the primary sponsors of the bill, stated that “Democracy cannot work when the voices of nearly 9 million people are silenced by the egos of states with much smaller populations. New Jersey... needs to have much stronger representation on the national political stage, not a token primary election.”³⁰ The measure was quickly passed there and went on to the Assembly, where it received an even warmer reception.³¹ There, it received seven Assembly sponsors. Of those, Joseph J. Roberts and Bonnie Watson Coleman were some of the most outspoken on the issue.³² “With an avalanche of states now looking to move up their primaries, it’s more imperative than ever that New Jersey change its presidential primary date as well,” said Assemblywoman Coleman.³³ “For years, New Jersey’s primary date guaranteed that our residents were left on the sidelines when it came time for selecting presidential candidates... It’s past time New Jersey voters had front-row seats in determining who should lead this nation.”³⁴ After the primary, it was evident that her fellow sponsor Roberts agreed. “For the first time in more than 20 years, the eyes of candidates, television pundits, and voters were focused on a New Jersey presidential primary that truly mattered.”³⁵ The legislation had strong internal support that, from the words of the legislators themselves, reflected their desire to allow New

Jersey to have a greater say in the presidential primary process.

Executive & Media Reception

The reception of the legislation by the executive branch of New Jersey and the media indicated that both parties were pleased with the newfound influence of New Jersey on the election. Firstly, Governor Jon S. Corzine signed the bill into law on April 1, 2007 with no questions asked.³⁶ Governor Corzine voiced support for the legislation before it even passed in the Assembly, stating he was willing to sign it into law if it passed the Legislative branch.³⁷ The newfound influence of New Jersey is the reason why Governor Corzine was so quick to sign it into law.³⁸

In addition, the media received the passage of the legislation with immense praise. A number of articles published in the wake of the bill’s passage indicate that giving New Jersey a voice was the primary reason for the legislation. On February 26, 2007, following the bill’s passage by the Assembly committee, *The New York Times* lauded the measure:

“With a June primary that had become all but irrelevant, New Jersey would be romanced by presidential aspirants for its money – but rarely for its voters. So under a measure approved unanimously on Monday by an Assembly committee, the presidential primary would be held on [Super Tuesday]... Democrat and Republican party leaders alike welcomed the potential attention that a Feb. 5 primary might bring.”³⁹

Almost a year later, on the Sunday preceding the primary, the *New Jersey Star-Ledger* still agreed. In an article titled “With the primary moved up, New Jersey finally matters,” the importance of the primary in agenda setting and the influence New Jersey

²⁹ *Ibid.*

³⁰ Jason Butkowski, *State Senator Ellen Karcher*. March 15, 2007. <http://politickernj.com/state-senator-ellen-karcher-50> (accessed April 14, 2008).

³¹ New Jersey Legislature.

³² New Jersey Legislature.

³³ Bonnie Watson Coleman, *NJ Must Keep Pace with Other States Scheduling Early Primaries*. Press Release, Trenton, NJ: Assemblywoman Bonnie Watson Coleman, 2007.

³⁴ *Ibid.*

³⁵ Derek Roseman, *Roberts: NJ Voters Earn National Respect with Record Presidential Primary Turnout*. Press Release, Princeton: New Jersey General Assembly, 2008.

³⁶ Derek Roseman, *Bill Giving NJ Voters Early Presidential Primary Signed By Governor*.

³⁷ Bonnie Watson Coleman.

³⁸ Derek Roseman, *Bill Giving NJ Voters Early Presidential Primary Signed By Governor*.

³⁹ Ronald Smothers.

now holds on the election was discussed.⁴⁰ “Clearly, moving the primary up was one of the best things we could have done...even now the excitement continues to build. That’s never been the case,” says Joe Ferriero, Bergen County Democratic chairman.⁴¹

The Naysayers

Even if the majority of both houses had overwhelming support for the directive, there were still twenty assemblymen and women and five senators who opposed it. The reasoning behind their claims may help shed light on why in fact the bill was passed. Assemblyman Peter J. Biondi was one of the dissenters to the legislation. When asked why he voted against the bill, his answer was simple:

“Money was the sole reason I voted this down. Under the system that ended up resulting from the passage of this bill, New Jersey has two primaries – a presidential one in February and a regular one in June. To move the presidential primary costs money and effort that I did not think was necessary.”⁴²

However, when asked about the potential to have a far more influential role in choosing the primary, he had little to say. “Look at the situation we have now, and tell me that New Jersey’s June primary would not be influential in choosing the Democratic nominee.”⁴³ This sort of hindsight is only applicable in this election, as the nominations were hotly contested until the very end. He was reluctant to admit that Somerset County, which he represents, had a voter that rose from 55% in the last presidential primary to over 80% in the Super Tuesday one.⁴⁴ Going back to the research connecting voter turnout to influence, it is evident that people feel more empowered in an earlier primary.

⁴⁰ Deborah Howlett, “With the Primary Moved Up, New Jersey Finally Matters.” *The Star Ledger*, February 3, 2008: 2.

⁴¹ *Ibid.*

⁴² Peter J. Biondi, interview by Ben Salvito. Assemblyman (April 15, 2008).

⁴³ *Ibid.*

⁴⁴ Peter J. Biondi, interview by Ben Salvito. Assemblyman (April 15, 2008).

Additionally, he stated that there was “not a lot of debate” on the resolution, but rather a select few who felt the measure was a wasteful use of state resources.⁴⁵ Research shows, however, that moving the primary would be mere drops in the pool that is New Jersey’s state budget. “The New Jersey bill would leave primary elections for all offices other than president in June; the move for the [presidential] primary carries an estimated cost of \$10.34 million. Of that amount, \$7.19 million would be paid by county governments,” writes Tom Hester.⁴⁶ Considering that the New Jersey budget is billions of dollars and that both the executive state government as well as the counties’ expression of great favor towards the bill, the arguments presented by the opposition are tenuous at best. Additionally, they do not serve to oppose the fundamental reason postulated for the bill’s passage but rather eschew addressing it by using the fallback of “the money can be spent elsewhere.”

A Fairer Race?

A secondary reason why the primary date was moved earlier was for legislators to secure a fairer race for their constituents. Perhaps the best conclusion to be drawn from this reason is that the influence a state has on the election as the result of an early primary occurs in large part *because* of a great selection of candidates for its electorate. “The surge can be attributed in part to a four-month move-up of the primary, which let New Jersey voters weigh in on presidential politics when the nominees were still undetermined,” writes Cynthia Burton, almost alluding to tie between influencing election focus and a fairer candidate selection for the electorate.⁴⁷ However, as the earlier research suggests, influencing election focus trumps as the most important reason for the change of primary date. The fact that an earlier date will result in fairer candidate selection is but another reason why the date change will result in a much more significant primary.

⁴⁵ *Ibid.*

⁴⁶ Thomas Hester, “Senate moves toward giving NJ early 2008 presidential primary.” *The Boston Globe*, December 4, 2006: 2.

⁴⁷ Cynthia Burton, “Turnout for N.J. primary highest in half a century.” *The Philadelphia Inquirer*, February 7, 2008: 1.

A Note on Money

As in all things political, money must factor into the equation somewhere. But was it an impetus for the change as stated in the hypotheses? In fact, research suggests it was quite the opposite. Codey is quoted as saying the following after the passage of this legislation: "For too long New Jersey voters have been bystanders during this critical phase of the electoral process. Judging by the early visits we've already received from Presidential contenders, it's clear that this bill has already begun to make us more than just an ATM machine for candidates."⁴⁸ Karcher agrees. "The only time New Jerseyans got to interact with the candidates for the Chief Executive was when the candidates swept into town for a high-priced fundraiser, usually to raise some fast cash to pay for media campaigns in other states," she stated.⁴⁹ The State Senate and Assembly wanted to move the focus away from campaign dollars and towards issues.

The aforementioned assertion suggests that states enjoy the wealth that comes as a result of a presidential campaign; however, evidence suggests that in fact the feeling is quite the opposite. Legislators see presidential campaigns as taking revenue away from their constituents and putting into the candidates' hands, as a negative economic consequence for the state. "New Jersey has just as much at stake in the presidential electoral process as any other state. [It] should be coveted for more than just the millions of dollars that residents contribute to various campaigns," said Roberts.⁵⁰ Money factors in as an impetus for the passage of the legislation, but not nearly as much as increasing New Jersey's influence in the election.

CONCLUSION

The main reason for New Jersey's moving its primary date to Super Tuesday was because New Jersey wanted a greater influence on the election. Additionally, the fact that New Jersey wanted to have a fairer candidate selection for the electorate proves to be a secondary effect of the move and is also a

benefit of the legislation. To say this was not a reason for the change would be incorrect, but to say that it was the primary impetus for the change would be an overstatement. Finally, the possibility that bringing more money into the state of New Jersey as a result of campaigning was a reason for the change proved to be a bit misguided. The research suggests that in fact it was quite the opposite – legislators desired to halt the perception that the electorate could be milked for all its money through campaign fundraisers. Stopping New Jersey from being an "ATM machine" for candidates was an impetus for the change, so while money factored into the equation, it was for a counter-intuitive reason.

The research presented here can easily serve as a basis for further analysis of the issue for other states and demonstrates the factors that influence state legislators in making the decisions they do for their constituencies. Additionally, it presents a sound argument as to what is most important to states regarding presidential primaries. Further research would likely show that other states that move their primaries to an earlier date do so for many of the same reasons as New Jersey did in 2008.

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