

The Wages of Fear



You don't know what fear is. But you'll see. It's catching, it's catching like small pox! And once you get it, it's for life! So long, boys, and good luck.

– Henri-Georges Clouzot,
“The Wages of Fear”

I must not fear. Fear is the mind-killer. Fear is the little-death that brings total obliteration. I will face my fear. I will permit it to pass over me and through me.

– Frank Herbert, “Dune”

In “The Wages of Fear”, Yves Montand and three other down-on-their-luck French expats agree to drive two truckloads of unstable nitroglycerin hundreds of miles across an impossibly difficult South American terrain. Driving 30 minutes apart so that the destruction of one truck won’t blow up the other, the two teams wind their way across one obstacle after another, facing the constant danger that an unanticipated bump will mean their deaths. One truck blows up in just such an unexpected way, killing two of the drivers in a giant fireball. A third driver is killed in the effort to traverse a final obstacle, a huge pit of oil and muck, but the lone truck and single surviving driver make it to their destination with the deadly cargo intact. Paid double wages ... enough to live comfortably for years ... and recovered from his exhaustion, the surviving driver must only drive the unloaded truck back to the origination point, where his girlfriend has already started putting together a celebratory party. *But living with constant and overwhelming fear has changed the surviving driver’s psyche.* He starts taking crazy chances driving the perfectly safe truck home, ultimately taking a turn way too fast and careening to his death in the chasm below. The End.

This is what living with fear does to an individual, a tribe, or a nation ... it warps their view of the world and creates massive behavioral change *even after the source of that fear is removed*. These are the wages of fear, and this is the hidden and awful cost of 9/11 and Lehman's collapse.

In the immediate aftermath of 9/11, we created a massive NSA eavesdropping and spying apparatus to combat the very real and immediate threat posed by a decentralized terrorist organization that we suspected had significant sovereign sponsors. Today al Qaeda is a pale shadow of its former self, and its sovereign sponsors are in retreat or eliminated. We won this war. Yet we have not scaled back or reduced our spying apparatus. On the contrary, we have created a bureaucratic and judicial structure to support the program, and we are *expanding* its technical and operational scope to identify and combat *potential* threats to national security. Why? Because our collective fear of another 9/11 has created a social and political sanction for such a bureaucratic capture. And because these potential threats to national security will *always* be present, this emergency NSA eavesdropping policy has become a permanent government program with enormous social and economic costs.

In the immediate aftermath of Lehman's collapse, we created a massive monetary policy program called Quantitative Easing to combat the very real and immediate threat posed by a deflationary spiral as markets seized up. Today there is zero chance of a deflationary freefall with a US epicenter, and we have returned to our regularly scheduled entertainment of a lackluster business cycle. We won this war. Yet we have not scaled back or reduced our QE apparatus. On the contrary, we have created a bureaucratic and judicial structure to support the program, and we are *expanding* its technical and operational scope to identify and combat *potential* threats to economic security. Why? Because our collective fear of another Great Recession has created a social and political sanction for such a bureaucratic capture. And because these potential threats to economic security will *always* be present, [this emergency QE policy has become a permanent government program](#) with enormous social and economic costs.

In the parlance of strategic military doctrine, we have transformed our goals from fighting a *responsive* war against a specific threat that has injured us to fighting a *preventive* war against a potential threat that might injure us in the future. There's nothing inherently wrong or stupid with fighting a preventive war, but it has a very different set of goals and effective social modalities than a responsive war. If this is our choice ... fine, but let's make it an honest choice as opposed to a *fait accompli* imposed on us by powerful interests. It's always important to call things by their proper names, but never more so than when you're fighting a war.

The classic example of a preventive war is the Japanese attack on Pearl Harbor in 1941. Squeezed mercilessly by the coal, oil, and steel embargo imposed by the US, the Japanese leadership concluded that although they would probably lose a war with the US, they would definitely lose the peace. Rather than accept the slow decline of the status quo and the economic constraints imposed by US policy, Japan decided to accelerate an outcome by launching the Pearl Harbor attack.

While there are quite a few historical examples of insurgent or up-and-coming countries like Japan challenging dominant or status quo countries with a preventive war, it's actually rather hard to find examples of a dominant country starting a preventive war. That's probably because dominant countries have other policy levers they can pull – like a coal, oil, and steel embargo – to keep the insurgent countries in their place without resorting to war. But we have a very good example of the *consideration* of preventive war by a dominant country in the internal US debate over how to deal with the growing power of the Soviet Union and China in the 1950's and 1960's. By examining the arguments in favor of preventive war (or its close cousin, pre-emptive war) made by some US strategists during this period, and why those arguments were ultimately rejected in favor of a less aggressive policy of containment, we can gain some insights into the risks and rewards of the preventive wars we are currently fighting and why we might prefer a less aggressive approach.

Here's a snapshot and a few indicative quotes from probably the most effective and outspoken proponent of a preventive/pre-emptive stance regarding US nuclear policy – Curtis LeMay.



Killing Japanese didn't bother me very much at the time. I suppose if I had lost the war I would have been tried as a war criminal. ...

I think there are many times when it would be most efficient to use nuclear weapons. However, the public opinion in this country and throughout the world throw up their hands in horror when you mention nuclear weapons, just because of the propaganda that's been fed to them. ...

That's the reason some schools of thinking don't rule out a destruction of the Chinese military potential before the situation grows worse than it is today. It's bad enough now.

Gen. Curtis LeMay, Air Force Strategic Air Command (SAC), youngest 4-star general since Ulysses Grant, 1968 Vice-Presidential candidate with George Wallace

It's easy from our modern perspective to poke fun at how LeMay presented himself with a giant cigar, and it's very hard to get comfortable with a man who directed the low-altitude firebombing campaign of Japanese civilian populations and who ran on a national ticket with noted segregationist George Wallace. But LeMay was also a brilliant contributor to the US victory in the Cold War. He almost singlehandedly transformed SAC into the most powerful warfighting force in human history (my favorite story is the mock bombing run he ordered on Dayton, Ohio to figure out which of his pilots could hit a target), and it would be a mistake to underestimate his arguments just because we don't like his politics.

LeMay's advocacy of preventive/pre-emptive war is based on a very specific utility function – *nothing* is worse than US military defeat. If that's your view, that it's better to be dead than Red, then a preventive attack on a relatively growing Soviet Union or China is an easy call. Far better to strike today, when the correlation of forces (to use a phrase favored by Soviet strategists of the day) were still tilted to the US, than tomorrow when we might not be so fortunate. Because the avoidance of US military defeat was LeMay's end all and be all goal, he was prepared to "do whatever it takes" including "the killing of a nation" (his words) in the furtherance of that goal.

Anyone who says that he or she is prepared to "do whatever it takes", whether it's Mario Draghi and Angela Merkel talking about support of the euro, Ben Bernanke talking about preventing deflation, George W. Bush talking about pursuit of terrorism, or Barack Obama talking about growing the economy ... is making a preventive war argument just like Curtis LeMay. Not a preventive war against a particular nation, but a preventive war against some conceptual social ill. Of course, you can't defeat a conceptual social ill like you can defeat a nation. You can't accept the surrender of General Deflation. **These social ills will always be with us in one form or another, which means that a preventive war in the modern context is a permanent and constant war.**

It may not seem like we are on a war footing when it comes to NSA eavesdropping or QE, because the trappings of war ... mobilizations, set battles, etc. ... may not be present. But the *language* associated with a war footing is definitely present, and this is what creates the social space that allows these policies to exist and thrive. I am struck almost every day by how the language of extremism and war pervades our domestic political and social institutions, on both the left and the right. I hear the voice of Curtis LeMay everywhere! Unfortunately, I think it's a voice that tends to promote the wages of fear, and I'm certain it's a [voice that drives game-playing in markets](#). But it's also a voice that diminishes as it is identified for what it is, and that's a pretty worthy goal for [Epsilon Theory](#).