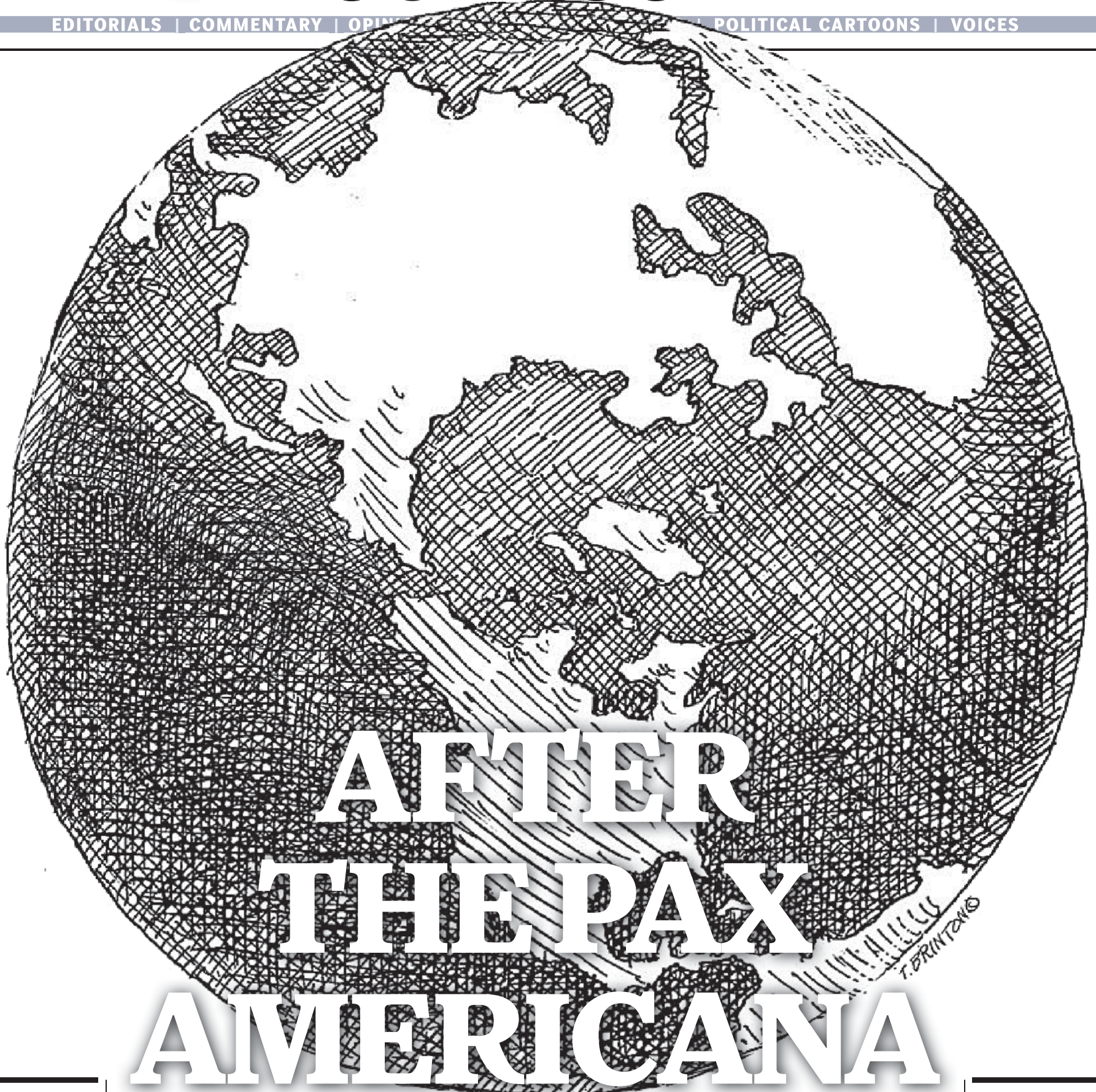


COMING MONDAY

■ A recently released report outlines a series of developing opportunities made possible by Hispanic-Americans' adoption of mobile technology.

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AFTER THE PAX AMERICANA

ANIMAL ABUSE

Ban sale of pets at flea markets

■ More staffing also needed at city pound

By CHAU NGUYEN TODD

WHAT gets me up every morning is nursing a sweet and timid dog we named Daisy back to health. Six months ago, someone tied her to the front of an animal clinic in Longview. An English bulldog, doctors guess she is 5 years old and was likely a puppy-mill dog, born purely to breed and probably kennel her entire life. Daisy was undernourished, overbred and covered in open, bloodied sores. Whoever abandoned her had no use for her anymore, and she was probably more work than she was worth. When Daisy came home to us, she was a mess.

In the world of animal rescues, Daisy's story is one of thousands. Dogs and cats are brought into shelters every day, many abused, neglected or simply abandoned by their owners. Some are adopted. Others are not and are euthanized to make space for more animals. In Daisy's case, a local English bulldog rescue group picked her up, even though veterinarians were not sure at the time she would survive, given her condition.

Even though it's against the law to abuse and neglect animals, enforcement of Texas' animal cruelty statutes is a dubious proposition. A major reason is manpower. At the SPCA, there are only nine investigators to handle its nearly 12,000 cases each year. Head to BARC, Houston's animal pound, and you'll find further evidence of shortages.

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The coming age of deglobalization will be defined by a rise in nationalism and geopolitical instability

By CHRISTOPHER LAYNE and BENJAMIN SCHWARZ

THE international order that emerged after World War II has rightly been termed the Pax Americana; it's a Washington-led arrangement that has maintained political stability and promoted an open global economic system. Today, however, the Pax Americana is withering, thanks to what the National Intelligence Council in a recent report described as a "global shift in relative wealth and economic power without precedent in modern history" — a shift that has accelerated enormously as a result of the economic crisis of 2007-09.

At the heart of this geopolitical sea change is China's robust economic growth. Not because Beijing will necessarily threaten American interests but because a newly powerful China by necessity means a relative decline in American power, the very foundation of the postwar international order. These developments remind us that changes in the global balance of power can be sudden and discontinuous rather than gradual and evolutionary.

The Great Recession isn't the cause of Washington's ebbing relative power. But it has quickened trends that already had been eating away at the edifice of U.S. economic supremacy. Looking ahead, the health of the U.S. economy is threatened by a gathering fiscal storm: exploding federal deficits that could ignite runaway inflation and undermine the dollar. To avoid these perils, the U.S. will face wrenching choices.

The Obama administration and the Federal Reserve have adopted policies that have dramatically increased both the supply of dollars circulating in the U.S. economy and the federal budget deficit, which both the Brookings Institution and the Congressional Budget Office estimate will exceed \$1 trillion every year for at least the next decade. In the short run, these policies were no doubt necessary; nevertheless, in the long term, they will almost certainly boomerang. Add that to the persistent U.S. current account deficit, the enormous unfunded liabilities for entitlement programs and the cost of two ongoing wars, and you can see that America's long-term fiscal stability is in jeopardy. As the CBO says: "Even if the recovery occurs as projected and the stimulus bill is allowed to expire, the country will face the highest debt/GDP ratio in 50 years and an increasingly unsustainable and urgent fiscal problem." This spells trouble ahead for the dollar.

The financial privileges conferred on the U.S. by the dollar's unchallenged reserve currency status — its role as the primary form of payment for international trade and financial transactions — have underpinned the pre-eminent geopolitical role of the United States in international politics since the end of World War II. But already the shadow of the coming crisis has prompted its main creditors, China and Japan, to worry that in coming years the dollar will depreciate in value. China has been calling for the dollar's replacement by a new reserve currency. And Yukio Hatoyama, Japan's new prime minister, favors

Asian economic integration and a single Asian currency as substitutes for eroding U.S. financial and economic power.

Going forward, to defend the dollar, Washington will need to control inflation through some combination of budget cuts, tax increases and interest rate hikes. Given that the last two options would choke off renewed growth, the least unpalatable choice is to reduce federal spending. This will mean radically scaling back defense expenditures, because discretionary nondefense spending accounts for only about 20 percent of annual federal outlays. This in turn will mean a radical diminution of America's overseas military commitments, transforming both geopolitics and the international economy.

Since 1945, the Pax Americana has made international economic interdependence and globalization possible. Whereas all states benefit absolutely in an open international economy, some states benefit more than others. In the normal course of world politics, the relative distribution of power, not the pursuit of absolute economic gains, is a country's principal concern, and this discourages economic interdependence. In their efforts to ensure a distribution of power in their favor and at the expense of their actual or potential rivals, states pursue autarkic policies — those designed to maximize national self-sufficiency — practicing capitalism only within their borders or among countries in a trading bloc.

Thus a truly global economy is extraordinarily difficult to achieve. Historically, the only way to secure international integration and interdependence has been for a dominant power to guarantee the security of other states so that they need not pursue autarkic policies or form trading blocs to improve their relative positions. This suspension of international politics through hegemony has been the fundamental aim of U.S. foreign policy since the

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CITY FINANCES

Next mayor must fix pension problems

■ Don't shift financial costs to next generations

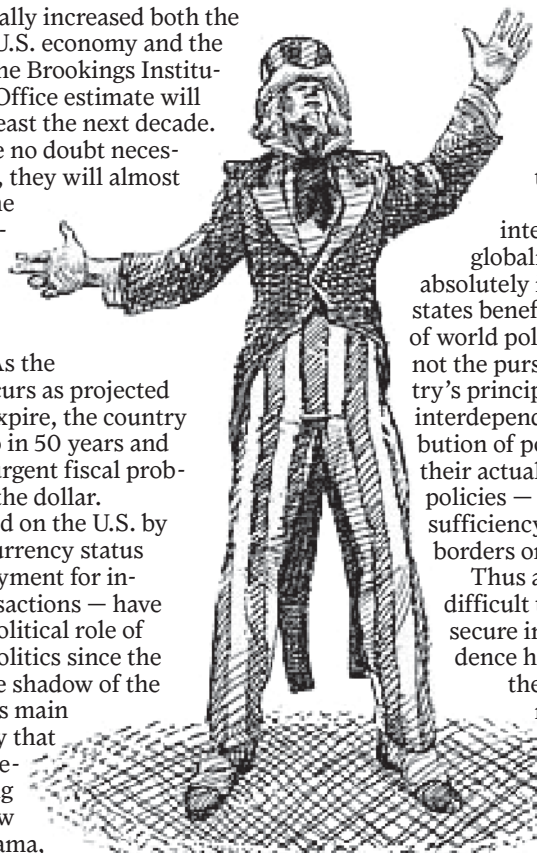
By JOHN DIAMOND

IT'S no secret that Houston has a major problem with its pension funds. Liabilities — or promised benefits — are much larger than the assets that have been set aside to fund them in the future. The city reports that as of July 1, 2008, the ratio of assets to liabilities is 96 percent for the firefighters' pension, 82 percent for the police officers' pension and 70 percent for the municipal employees' pension. In other words, only 96, 82 and 70 percent of promised benefits, respectively, could be funded by accumulated assets. The unfunded liability — promised benefits that the city has not set aside enough funds to pay in the future — for all three pensions is equal to \$1.7 billion, according to the city.

However, the problem is much worse than the current city government appears willing to admit. Let's look at how we got here and if there is a way out.

The city's public pensions were in great shape in 2000 — they were 101 percent funded after several years of above-average market returns in the late 1990s. Unfortunately for taxpayers, city politicians increased pension benefits in the euphoria of the time. The combination of generous benefit increases and the 2001 stock market crash led to serious pension underfunding. By

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BACK: What comes after the end of the Pax Americana?

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1940s. The U.S. has assumed the responsibility for maintaining geopolitical stability in Europe, East Asia and the Persian Gulf, and for keeping open the lines of communication through which world trade moves. Since the Cold War's end, the U.S. has sought to preserve its hegemony by possessing a margin of military superiority so vast that it can keep any would-be great power pliant and protected.

Financially, the U.S. has been responsible for managing the global economy by acting as the market and lender of last resort. But as President Barack Obama acknowledged at the London G-20 meeting in April, the U.S. is no longer able to play this role, and the world increasingly is looking to China (and India and other emerging market states) to be the locomotives of global recovery.

Going forward, the fiscal crisis will mean that Washington cannot discharge its military functions as a hegemon either, because it can no longer maintain the power edge that has allowed it to keep the ambitions of the emerging great powers in check. The entire fabric of world order that the United States established after 1945 — the Pax Americana — rested on the foundation of U.S. military and economic preponderance. Remove the foundation, and the structure crumbles. The decline of American power means the end of U.S. dominance in world politics and the beginning of the transition to a new constellation of world powers.

The result will be profound changes in world politics.

Emerging powers will seek to establish spheres of influence, control lines of communication, engage in arms races and compete for control over key natural resources. As America's decline results in the retraction of the U.S. military role in key regions, rivalries among emerging powers are bound to heat up. Already, China and India are competing for influence in Central and Southeast Asia, the Middle East and the Indian Ocean. Even today, when the United States is still acting as East Asia's regional pacifier, the smoldering security competition between China and Japan is pushing Japan cautiously to engage in the very kind of "renationalization" of its security policy that the U.S. regional presence is supposed to prevent. While still wedded to its alliance with the U.S., in recent years Japan has become increasingly anxious that, as a Rand Corp. study put it, eventually it "might face a threat against which the United States would not prove a reliable ally." Consequently, Japan is moving toward dropping Article 9 of its American-imposed Constitution (which imposes severe constraints on Japan's military), building up its forces and quietly pondering the possibility of becoming a nuclear power.

Although the weakening of the Pax Americana will not cause international trade

and capital flows to come to a grinding halt, in coming years we can expect states to adopt openly competitive economic policies as they are forced to jockey for power and advantage in an increasingly competitive security and economic environment. The world economy will thereby more closely resemble that of the 1930s than the free-trade system of the post-1945 Pax Americana. The coming end of the Pax Americana heralds a crisis for capitalism.

The coming era of deglobalization will be defined by rising nationalism and mercantilism, geopolitical instability and great power competition. In other words, having enjoyed a long holiday from history under the Pax Americana, international politics will be headed back to the future.

Layne is a professor of government at Texas A&M University and a consultant to the National Intelligence Council; Schwarz is literary and national editor of the Atlantic.

FINANCE: Borrowing to fund pension liabilities may pose risk to taxpayers

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2004, the ratio of assets to liabilities was only 72 percent.

Things would only get worse. On Sept. 1, 2003, the Texas Legislature authorized state municipalities to fund public pensions by issuing pension obligation bonds (POBs). In layman's terms, the law allows municipalities to borrow money to fund their pensions. In 2004, the city of Houston borrowed \$300 million in POBs to fund its unfunded pension liabilities. By July 1, 2008, Houston had borrowed \$567.4 million in POBs; however, the ratio of assets to liabilities only increased by one percentage point to 73 percent from the 2004 ratio. As of July 1, 2008, future taxpayers are on the hook for \$2.3 billion — a \$1.7 billion unfunded liability in the pension funds and \$567 million in general fund liabilities used to fund the pensions. Unfortunately, this is almost certainly an understatement of the true future taxpayer liability given the economic crisis and the related investment losses.

Borrowing to fund pension liabilities is a risky gamble that imposes substantial costs on future taxpayers while benefiting current taxpayers and career-minded politicians. As an example, think about the effects of funding your 401(k) with borrowed money. Your current consumption level would increase and

your future consumption level would decrease. In addition, you would be exposed to substantial risk. If the return on invested assets was smaller than the interest costs of the loan, then the decrease in future consumption would be exacerbated. Given the market crash in September 2008, future taxpayers are likely to take a big hit on the city's gamble. Current taxpayers will also be affected as the actuarially

told all who will listen that the statutory rate is unrealistic." The fact is that city projections assume an 8.5 percent return (after expenses) on invested assets, which is on the very high end of reasonable estimates. Thus the actuarially required contribution rate is more than likely too low, not too high. However, it is always easier to push costs on to future taxpayers rather than deal with them now.

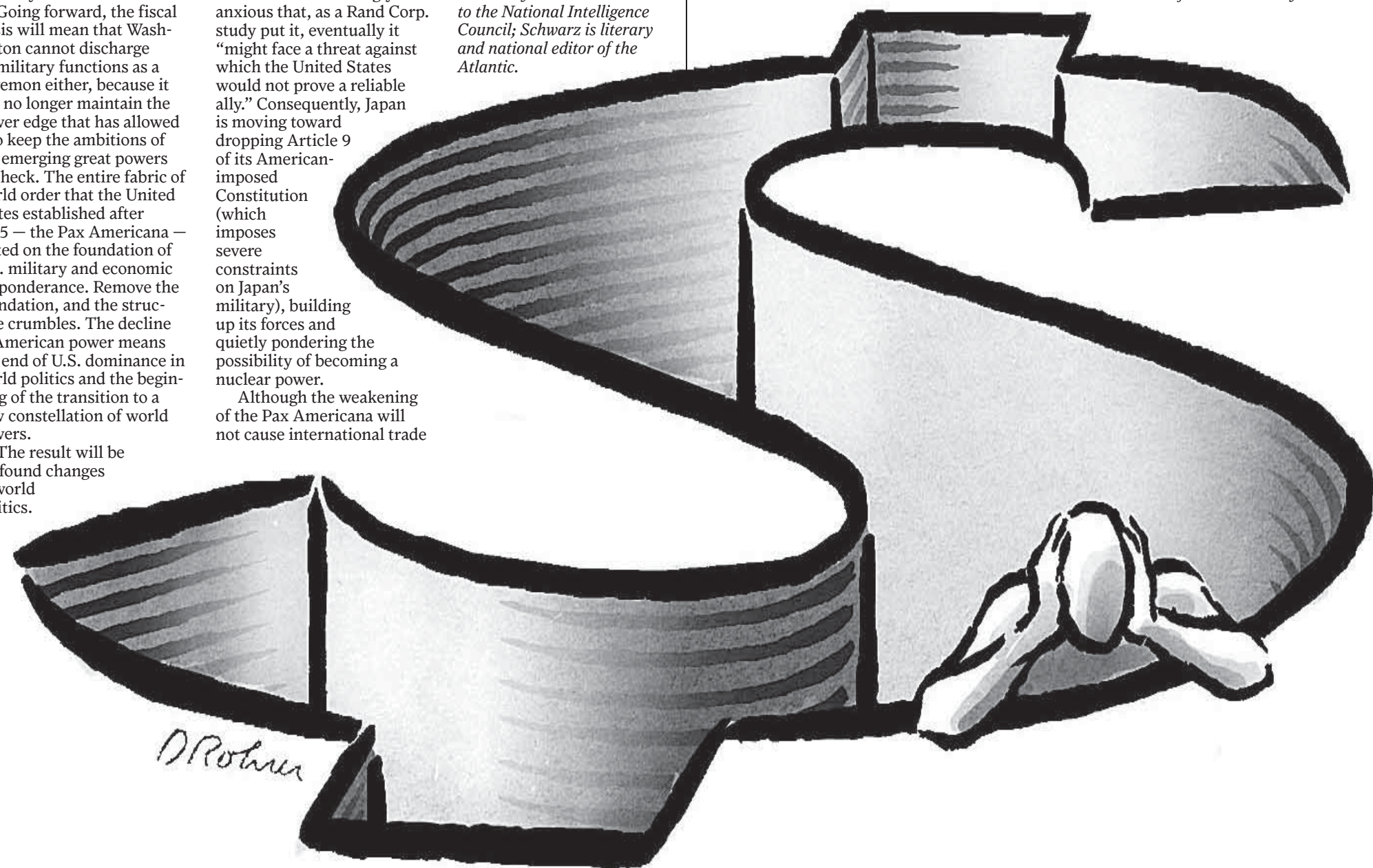
Solutions to this mess are not going to be easy or painless, but the sooner the problem is addressed, the better. We need more stringent financial rules that require governmental entities to fully fund public pensions from current revenues. This would force voters to face the full cost of the benefits they demand from the city. In addition, the state should repeal the 2003 law that allowed cities to issue POBs to pay for unfunded pension liabilities. Potential solutions to underfunded pensions should not include shifting substantial financial costs and increased risk onto future generations. This is a major budget mess that the next mayor of Houston will have to address without, let's hope, resorting to accounting gimmicks that harm future taxpayers.

Solutions to this mess are not going to be easy ...

required rate of contribution to the pension funds will increase, and this increase could be substantial, depending on investment losses.

Current city policies are also contributing to this problem, and disastrous consequences are inevitable if they are not abandoned. Most troubling, the city's contributions to the pension fund have been below the actuarially required rate (also known as the statutory rate) in every year since 2004. In a letter to the Houston Chronicle May 15, 2007, Mayor Bill White wrote that "neither I nor anyone in my administration has ever stated that the city would pay the statutory rate" and that "for years I have

Diamond is the Edward A. and Hermena Hancock Kelly Fellow in Tax Policy at the James A. Baker III Institute for Public Policy.



ABUSE: Commissioners should ban sale of pets at flea markets

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The shelter is grossly overcrowded and perpetually understaffed. The dogs and cats kenneled on any given day far outnumber the people who come forward to adopt.

The recent seizure of more than 1,000 animals living in cramped, filthy conditions at a northwest Harris County property shed light on another problem, and that's the sale of pets at flea markets. In this case, the commodities were mostly birds, ducks and chickens. Even though such sales are illegal in Houston, get out of the city limits and flea-market pets are big business.

Anyone who has been to flea markets like Traders Village in West Harris County has seen the rows of cute puppies waiting to be sold. What you don't see is what animal investigators suspect are the puppy mills where

these dogs originate. Reputable breeders don't sell their animals at flea markets.

This is an easy fix for Harris County commissioners. Ban animal sales at flea markets. This would cut down on the irresponsible profiting off pets and reduce the proliferation of puppy mills.

Hats off to city leaders for finally moving forward with renovations at BARC. Adding kennels and cat facilities are long overdue. Adding staffing must come next.

Houston City Council Member Jolanda Jones recently described BARC as a place that "emanates death and morbidity." Perhaps people who mistreat animals should also be required to take a tour of the facility, as Jones did.

Finally, state lawmakers can deliver a stern message to those who violate animal cruelty laws by increasing

finances and punishments, which are currently up to \$10,000 and two years jail time. If animal cruelty convictions can be considered a felony, then shouldn't the punishment fit the crime?

As for Daisy, with each day comes improvement. I have to feed her a handful of medications and apply ointment to her wounds every day, but the love and attention she's getting seems to be lifting her spirits. Her limp has turned into a skip, especially when it's time for her daily walk. I think for the first time, Daisy is getting a shot at being a real family dog. I wonder what her former owners would say if they saw her now.

Todd is a former reporter and anchor for KHOU-TV and is currently pursuing her master's degree in social work at the University of Houston.



CHAU NGUYEN TODD

RECOVERING: Daisy, an English bulldog who was left tied to the front of an animal clinic, is being nursed back to health.