

Center for Strategic and International Studies

TRANSCRIPT

Event

**“Betting on America: The Future of U.S. Economic
Statecraft featuring former National Security Advisor
General H.R. McMaster”**

DATE

Wednesday, September 4, 2025 at 10:00 a.m. ET

FEATURING

General H.R. McMaster

Former National Security Advisor; Senior Fellow, Hoover Institution

CSIS EXPERTS

Navin Girishankar

President, Economic Security and Technology Department, CSIS

*Transcript By
Superior Transcriptions LLC
www.superiortranscriptions.com*

CSIS | CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES

Navin
Girishankar:

The 2017 United States National Security Strategy declared that economic security is national security. That truth has never felt more urgent. In the past decade, our nation has had to contend with a pandemic, wars in Ukraine and the Middle East, and a blistering tech race with China.

So here are some questions: Are we better prepared today to preserve the economic dynamism and technology advantages so essential to our prosperity? Are we better able to defend our nation against rising mercantile and malign threats? And are we out-innovating our rivals on advanced technologies such as AI, biotech, and clean technologies?

To tackle these questions and more I am profoundly honored to speak with the 25th national security advisor of the United States and one of our nation's foremost grand strategists, Army Lieutenant General H.R. McMaster. I've Navin Girishankar, and welcome to Betting on America.

(Music plays.)

General McMaster, thank you so much for joining Betting on America. It is such a huge honor to have you, sir.

Lieutenant
General H.R.
McMaster (Ret.):

Hey, the honor's mine. I'm a big fan. Great to be with you.

Mr. Girishankar:

Well, I want to get into the topic of economic security. You know, you led the National Security Strategy in 2017 and really cemented the notion that economic security is national security. And for the last decade, that's all we talk about in Washington. In a sense, over the last three administrations – Trump one, Biden, and now Trump two – we've been in, I would say, a wet-clay moment with an experimentation as to what economic security policy looks like. You've written recently about economic statecraft. So I just wanted to get your sense of 10 years now – 10 years on out, how are we doing and where are we in the broad arc of U.S. economic security policy development.

LTG McMaster:

Well, we're not doing well enough. We're doing a lot better than we were, mainly because we were complacent. You know, we were overconfident and we really had based our – I think our economic policy, our foreign policy, our defense strategy on some fundamentally flawed assumptions associated with overoptimism in the post-Cold War period, you know, and especially I would say this belief that kind of an arc of history had guaranteed the privacy of our free and open societies and our free-market economies over alternatives like authoritarian forms of governance or statist mercantilist economic models – you know, that great-power competition was a relic of the past, right? We

were going to all cooperate, you know, and get along well together, you know?

Mr. Girishankar: Yeah. (Laughs.)

LTG McMaster: And so we vacated critical arenas of competition. And as this related to China in particular, you know, we believed that China, you know, as it prospered would liberalize its economy and liberalize its form of governance. Hey, that didn't happen. So we were behind in 2017.

And we believed in 2017 we need to sprint to catch up. It's a long – it's a long competition, but, man, we need to get – we need to break into a dead sprint. And we haven't broken into a dead sprint yet, you know. And that's what I'm worried about, is that we haven't – we're taking a few steps forward but also, you know, a couple steps back.

And I know you and I will probably disagree on this a little bit. You know, I think the relaxation, for example, of some of the export controls associated with H2O chips, for example, I think that's a step back, you know?

Mr. Girishankar: Yeah.

LTG McMaster: I think we have to – we have to recognize that we are in competition with a hostile authoritarian power.

Mr. Girishankar: Yeah. Yeah.

And when I think about what the tools – what the constraints are, is it that we don't have the tools, that we don't have the political will, or that we're diagnosing the problem wrong? Like, how would you weight these? Or am I missing even another factor?

LTG McMaster: No, I think diagnosing the problem wrong. I think there are some people who are still clinging to this idea that just free trade and of itself is an unmitigated good, right, always unmitigated good. And I think that fails to recognize the degree to which China has weaponized its statist mercantilist economic model against us –

Mr. Girishankar: Indeed.

LTG McMaster: – with a number of unfair trade and economic practices: you know, intellectual property theft; a sustained campaign of industrial espionage associated with that; also, obviously, you know, the whole range of subsidies that are given to companies that result in overproduction, overcapacity,

dumping on the international market; deliberate efforts to gain control of critical supply chains and to use that control for coercive purposes.

Mr. Girishankar: Yeah.

LTG McMaster: You know, the forced transfer of intellectual property and technology to gain access to their market or to the promise, you know, of sustained access to the Chinese market, how's that working out? You know, Volkswagen or anybody, right?

Mr. Girishankar: Right.

LTG McMaster: So I – or, you know, I think we have – we have been sort of guilty, I would say, of serial gullibility.

Mr. Girishankar: Yeah. (Laughs.)

LTG McMaster: And – (laughter) – and it's time to stop it. You know, it's well – it's past time to stop it and to recognize that – and this is the argument made in the economic statecraft piece, right, is we don't want to become China, right?

Mr. Girishankar: Yes.

LTG McMaster: We don't want to – we don't want to become a statist model ourselves.

Mr. Girishankar: Right.

LTG McMaster: But what we need is to protect ourselves against China's economic aggression –

Mr. Girishankar: Right.

LTG McMaster: – and incentivize our greatest competitive advantages, right, which is our free-market economic system, our innovation ecosystem, all the things that you talk about in this – in this awesome series here. That's what we need to do. And we need to compete, basically.

Mr. Girishankar: Yeah. I'm, like, a thousand percent with you on this, General.

Let me – let me just double-click on this for a second. The way I think about it – and I wanted to get your reaction to this – is that we have a peer competitor who's using mercantile and malign actions, and is actually in the very global markets that we are in. And so they are ubiquitous, in a sense, in a way that maybe the Soviet Union wasn't, and I'm seeking your feedback on

this point. And so the question is: How do we benefit from global markets while at the same time bounding them so that we are not taken advantage of? Do we have the tools to do that?

LTG McMaster: You know, I think we do have the tools to do it. But what we have to do, I think, is to just, of course, you know, recognize the nature of the competition and reenter arenas of competition that we – that we vacated.

Mr. Girishankar: Yeah. Yeah, yeah.

LTG McMaster: I mean if you're – hey, you know, I mean, I think we realize that if you're not on the field you're going to get your ass kicked, you know?

Mr. Girishankar: Yes. Yes.

LTG McMaster: So I think, how do we get back into these competitive spaces? And you know – and President Trump has taken some steps in that direction in a way that – you know, in ways that I don't agree with. That's tactics, you know? But, for example, if you're concerned about China taking control of critical infrastructure associated with transportation and so forth – you know, these are the – you know, the kind of string-of-pearls approach that they've taken.

Mr. Girishankar: Right.

LTG McMaster: And what you have is China using these sort of – you know, these loans, these debt traps in a way that's kind of a new form of colonialism. It's violating your sovereignty. So let us put together a package that'll allow you to exit from this bad deal you've got with China and have a new deal that benefits your people, you know, and benefits your country, and preserves your sovereignty. That's the argument. But then when President Trump says, hey, man, we want to take over the Panama Canal – I mean, we want it back – you kind of cut the legs out of that argument.

So I just think that actually what President Trump wants to do is right, and then what we need to do is kind of refine how we go about it, right –

Mr. Girishankar: Right.

LTG McMaster: – I mean, and how we – how we counter China's economic aggression. Of course, I think what we see the administration engaged in now is kind of a renewed effort to get a big deal with China, right?

Mr. Girishankar: Right, right

LTG McMaster: I mean, I'm like, hey, is this the late '90s again? Is this the Clinton administration? You know, I mean, we know where that path is going to lead; it's going to lead to nowhere. So I think that'll play out, and I think the Trump administration is kind of backing its way into what I think will be a sensible approach to economic statecraft. And of course, this'll be an element of continuity now across three administrations.

Mr. Girishankar: Yes. Yeah, you said it.

And you know, it's interesting because you referred to the current efforts to make a deal with China. I actually am perplexed in some sense that with allies we are exercising coercion in a way that – and leverage in a way that really undermines our ability to develop an encirclement strategy. Like, if we got close with the allies, built new trade relationships, built new technology relationships, then we could deal with China. But it seems like our sequencing is off and even our goals are off with respect to that. What are your thoughts on that?

LTG McMaster: Well, yeah. Amen to all that. I mean, I think, you know – (laughter) – I think – I think what you're going to – what we should bank on is the intransigence of the Chinese Communist Party, right, and Xi Jinping.

Mr. Girishankar: Yeah. Yeah.

LTG McMaster: So I've got my faith in Xi Jinping and the Chinese Communist Party because they're going to make us realize this isn't going to work, you know?

And you know, what I used to say to President Trump – who I think, you know, deserves a lot of credit in his first term, right, for fundamentally shifting the approach to economic statecraft broadly but also to the approach to the competition with China in a way that stuck. You know, the Biden administration didn't want to admit it, but they basically continued Trump one policies on China. You know, what I used to say to him is: Hey, Mr. President, if we shoot all of our allies, to get to China, China wins. You know?

Mr. Girishankar: Right.

And so he – we have real – we have real, you know, sort of issues we need to resolve with Europe, for example, you know, on – there are economic ones in terms of, you know – you know, regulations, the way they're going after our tech industry in a way that's kind of, like, rent-seeking behavior, I would say, you know?

Mr. Girishankar: Right, right.

LTG McMaster: You know, unequal access to markets; you know, some of the subsidies they've got for certain of their industries; some of the agricultural barriers, you know, to entry to their market. So, I mean, we got issues with them. But hey, you know, we can resolve those. Let's work on those together.

But I think you're totally right about this. If the U.S., Japan, Europe – and then we bring some others in like India, who I hope we're getting – you know, we're going to – (laughter) – we're going to – we're going to hug again, you know, get back into the –

Mr. Girishankar: (Laughs.) Yeah.

LTG McMaster: You know, where's the – where's the Modi hug? You know, we need the Modi hug –

Mr. Girishankar: Where's the Modi – the Modi bearhug, where is it? (Laughter.) Yeah.

LTG McMaster: So that, you know, we can compete effectively. And you know, we're pushing on an open door. I mean, so many countries who have been subjected to China's mercantilist policies, their intimidation, their coercion, the debt trap, they want alternatives. I mean, even in countries with a lot of corruption, you know – you know, the DRC, I mean, you know – I mean, they want alternatives, right? So, hey, this is a great, great moment for us if we – if we play it right.

Mr. Girishankar: Well, there's so much that you've said there. Let me just linger on one point, which is the Global South. You hit on that a couple times here.

I think that there is an opportunity here to define what the U.S. offer is and the U.S. technology offer is to the Global South. And I think to – credit to the Trump administration and its AI Action Plan in laying that out. I think that's phenomenal, and we should figure out what that looks like.

I'm worried that we're using some arcane tools and some of the existing tools – say, for example, across the Commerce Department and Ex-Im and DFC – those are good; there have been developments – but I wonder if we need a level of ambition and a – and a firepower that we don't currently have to be able to do that. I wanted to get your reaction to that.

LTG McMaster: Well, I agree. And this was kind of the – this is one of the key aspects of this report that I did with Andy Grotto on economic statecraft, is that, you know, we need to unleash the power – the power of private capital, private investment with incentives. And so I'm thinking about, you know, policies like if – hey, if we're concerned – we are – should all be concerned about supply chain resilience and China's grip on critical supply chains involving,

you know, critical minerals and, you know, magnets, and you know, batteries, right?

Mr. Girishankar: Right.

LTG McMaster: I mean, hey, so, you know, what China will do – we know. We know what their playbook is. As soon as you invest in an alternative to that supply chain, hey, they'll just dump – they'll just dump on the international market, drive you out of business, right, bankrupt, you know, whoever made the investment to begin with. (Laughs.)

Mr. Girishankar: Right.

LTG McMaster: So, you know – so what we got to do is maybe some insurance policies, right? And you see the Trump administration doing some of this now with guaranteed sort of long-term purchase orders, you know, for example, government purchase orders to incentivize private capital investment. I think that's the kind of thing we need to do, right? Because, you know, we don't want to replicate China, right?

Mr. Girishankar: Yeah.

LTG McMaster: We're not going to – you know, so the infrastructure development, you know, finance efforts that we have in the government, they're never going to match, you know, the capital that China just pumps out, right?

Mr. Girishankar: Right.

LTG McMaster: But I think that, you know, the Chinese model's not succeeding. I mean, I don't know what you think, but it looks like a Ponzi scheme to me. You know, they're not – (laughs) – they're not getting –

Mr. Girishankar: Yeah. Well –

LTG McMaster: They're not getting returns on their investment, really, you know?

Mr. Girishankar: Yeah. You said –

LTG McMaster: They're doing it for geopolitical reasons. So, anyway, I think we've got an opportunity to unleash private capital. That's what I would –

Mr. Girishankar: I think that's fantastic.

You know, I was a former World Banker for a long time, and the thing that has been sort of one of the – my hobby horses here for pounding away at this issue, including when I was in the Commerce Department, is that we spend a lot of time thinking about how do we mobilize capital, but we're not thinking enough about the downstream and procurement. So if you look at the lion's share of international competitive bidding procurement on works for the last 20 years at the multilateral development agencies, PRC-linked companies win them. If you look at the DFC, it doesn't have a U.S. company nexus requirement. I just feel that these are gaps, General, and I wanted to get your reaction to it because this is what I mean by having a different sort of toolkit to actually achieve what we are trying to achieve.

LTG McMaster: Yeah, I think you're so right about this. And I hope you're getting a good audience, you know, within the Trump administration because I think, you know, if you look at their agenda, right, I mean, their agenda is energy dominance, it's deregulation, it's invigorating the defense and the industrial base broadly, and it's about supply chain resilience. I mean, they signed all of us up for that program. So I think anybody at this stage – because, you know, I mean, this is still an early administration. I mean, a lot of the – a lot of people aren't confirmed yet, you know?

Mr. Girishankar: Yeah.

LTG McMaster: I mean, a lot of the offices in Commerce and other places, they're kind of empty still in terms of, you know, political appointees. So I think, you know, the insights that you have and your expertise should get a good hearing. And I'm thinking about, you know, draft legislation and, you know, executive orders, you know, that could be issued that could change our government's policies and approaches, as you mentioned.

I mean, you're right, there are tremendous opportunities. You know what those are better than I do in terms of – with a high degree of granularity and specificity. So I would just, you know, get them in front of the administration, please.

And I think the good thing about President Trump is, you know, he's unconventional, right? He's disruptive, you know. There's a lot that needs to be disrupted. But you know – (laughs) – unfortunately, sometimes he's so disruptive he disrupts himself, right? I mean, so I think anything we can get to the administration and say, hey, disrupt this, you know, get this done, I think it will be tremendously beneficial.

Mr. Girishankar: Well, thank you for saying that, General. We're trying to make sure that we are as helpful as possible both with the administration and people on the Hill.

Let me say this: One of the other things that actually you cemented while you were there with Trump 1.0 is the notion that trade imbalances are an issue that we should be looking at, and, like, we got to look at them. And, obviously, there's a(n) orientation towards the merchandise trade deficit, which is perhaps a bit narrow, but at least today there is nobody who can talk economic policy without addressing the question of imbalances. And that's important. That's an important legacy.

Now here's a question. We are now in the midst of a major upheaval in global trade driven by the United States. And it's addressing a problem, but I wonder if the solution is the right one because the tariff gambit seems to be a little bit chaotic, and it's causing really some questions at least in the business community about predictability, volatility, and the investment climate. I wanted to get your reactions to that.

LTG McMaster: Yeah. Well, it is. It has been very volatile, and it hasn't been kind of thought out in terms of, you know, what we recommended in this paper – (laughs) – on economic statecraft, right?

Mr. Girishankar: Right.

LTG McMaster: I mean, have clear objectives, right, and also, you know, really provide the degree of predictability and trust that allows you to make long-term investments and that bolsters, really, the strength of our free-market economic model. And of course, you know, these big problems that we have in terms of supply chain resilience and energy security and so forth, it requires all hands on deck, right?

Now, you're starting to see elements of this: The recent visit of the South Korean president and the joint efforts on shipbuilding, right; or what we're doing with Finland in that connection on icebreakers; or, you know – or what – you know, what we're – what we're doing, you know, in terms of AUKUS with nuclear subs, right; or the various agreements we have now on minerals, and access to critical minerals, and mineral separation and refining. This is all happening. It's happening. But I think what I would like to see is – we'd both probably like to see it as the top line, you know –

Mr. Girishankar: Yeah.

LTG McMaster: – of this kind of cooperation. And of course, that requires a degree of trust and a degree of stability, especially in the areas we're talking about with tariffs and so forth.

You know, so, you know, reciprocity, hey, sign us up for that, right? "Reciprocal," President Trump would say, hey, that's my favorite word. But

you know, those – but those tariffs – (laughs) – those tariffs weren't about reciprocity; there's a whole bunch of other stuff layered in there, you know?

Mr. Girishankar: Correct.

LTG McMaster: And if there was a clear argument that said, OK, hey, we have – we have unfair trade and economic practices in the area of market access, or subsidies, or, you know, you make the argument for reciprocity and impose a tariff on that, because, obviously, the purpose of a trade enforcement mechanism like a tariff is to incentivize actions on the part of the other party that get you back to zero at some stage, right, because you get – because these concerns are addressed.

So, yeah, we kind of missed the boat on that. And part of it is, I mean, where's the NEC? I wish we had more of an NEC and an NSC. And so somebody convinced President Trump, apparently, that his own staff was the deep state. (Laughs.) You know, so, like, those guys – those guys got the hatchet. And now you've got, you know, the departments and agencies. They're all doing different things, right? And you've got some White House advisors in the president's ear. And then where is the process that integrates these perspectives?

Mr. Girishankar: Yes. You've written about that.

LTG McMaster: (Off mic) – the president best analysis and multiple options, right? You know, hey, the president gets to decide these things. I just hope that, as the team – as I mentioned, it's still coming together, right? So let's give them a little bit more time. But I hope that we'll see – and I think we're bound to see a higher degree of coherence in the application of the whole range of economic tools, right – tariffs, import – inbound and outbound investment screening, export controls, right? It all has to be holistic.

And then also, the incentives, as I mentioned, to unleash the power of our free market system and our unbridled entrepreneurship, right? And then also to have kind of a human capital strategy associated with this as well, one of the huge part of this, right, terms of H-1B visas and ensuring that we maintain our competitive advantages in human capital. That could be part of an overall strategy, right? I mean, let's get it done. I mean, we're Americans, not Ameri-can'ts. You know, we can do this.

Mr. Girishankar: (Laughs.) I love it. I love it. You've said a lot. Let me come back to the issue of how to organize our government.

LTG McMaster: I'm betting on America, man. I'm betting on America.

Mr. Girishankar: (Laughs.) I love it. Yeah. (Laughter.)

Let me come back to something here, just to finish the story on trade. I wonder if the tariff gambit – it's great in some ways, in the sense that it's opened the door to a discussion and negotiation. It's a leverage point. But there's kind of a fixation on the merchandise trade deficit. And the reality is we're a major services exporter. And we could do more if some of those non-tariff barriers in some of these countries, including our allied countries, could be removed. And so I think, like, if we thought of the trade balance in terms of both goods and services, including AI-enabled services, digital services, all that stuff that you mentioned, this would be a good way to take advantage of this negotiation that we're in right now.

LTG McMaster: Absolutely. Financial services. I mean, look at – look at – (inaudible) – banks, and so forth. And then, you know, we give them access. Why the hell do we do that? Right? I mean, you know, so why should we pay to be in the United States, you know, if you don't have any kind of access? And then also, you know, the way that our tech companies are treated by Europe, right? I mean, come on.

Mr. Girishankar: Right, exactly.

LTG McMaster: I mean, Europe is not innovating. And what they're doing is they're just taxing our companies. I mean, that's not going to work out for them. And I think that we should have a conversation – you know, certainly, with the – and I'm sure we are – about this. But you're right. You know, when you bring services into the discussion, you know, you can get, I think, more meaningful – a meaningful approach.

But of course, these trade agreements. You know, we've seen these nascent trade agreements, which I would – I guess they are really. And Jamieson Greer, that guy is – that guy is super competent. I mean, I don't know how the heck he's doing it. You know he's got to be the most overworked guy in Washington, right? (Laughter.) So, but I think you're right. You have to look at the relationship holistically. And you've got to bring the financial aspects of it in as well. And this is one of our greatest competitive advantages, you know, as we – as we covered in the paper. You know, the strength of the dollar. You want to preserve that.

President Trump has – you know, I mean, to his credit, again, right, he's saying, you guys, if you want – if you want to create – you know, the BRICS guys – you know, if you want to create your own thing, I mean, you're going to pay for that. And I think – you know, I mean, I love Brazil, man. But, you know, I can't – I'm kind of happy about the way that he's saying, hey, you can no longer, you know, kick us, Brazil, you know, and think you're going to get away with it, right?

So there are aspects to some of these coercive measures that he's taken that I think are positive in terms of, you know, kind of exerting American strength where people have taken advantage, I think, of our complacency and maybe our kindness, you know? (Laughs.) But we could certainly do it in a more sophisticated and productive manner, I think.

Mr. Girishankar: Yeah. Yeah. Let me shift gears to technology. You touched on that issue. So I read something, one of – I think it was in the paper that you've mentioned – where you say, and I quote you, "the innovation ecosystems that produce and apply technology will prove divisive in achieving a favorable outcome." You know, one of the things that you see with net assessments across town are comparing technological capabilities, China versus the U.S., snapshots of technical capabilities or market share. And every time there's a DeepSeek moment, my question is not that it happened, but why did it happen? Like what's the underlying driver and the incentive? And I wonder – we're trying to do some work on this, on an approach to net assessment that compares ecosystems, theirs versus ours. Because that'll help you know when the next shoe will drop. I'd like your thoughts on this set of issues.

LTG McMaster: Yeah, well, I think this is extremely important work, right, because, you know, you can see – can you see the Santa Cruz Mountains behind me here? You know, I mean, I'm in the middle – in the middle of Silicon Valley. And our ecosystem, I think, is extraordinary in terms of, you know, the combination of academia and the ideas that we generate and the technology that we've developed, along with the capital that can get behind it, and the incredible leadership and entrepreneurs, right, who put it all together and make things happen, right? So I think – I think we have tremendous advantages here.

But, of course, you know, the statist model has advantages too. They can just put – you know, dump a bunch of money, you know, on it, and incentives, and like what you've seen happen in so many sectors within China in terms of, you know, the industrial manufacturing capacity, which they prioritized. And we can't replicate that, really. You know, we don't – we can't do that, right? We can't build Shenzhen, you know, here. You know, but we can do a lot in terms of – I think the way to think about it is, how do we apply our competitive advantages in a way that that puts us in front of the competition. And a lot of that is new technologies, right?

I mean, so I'm thinking about, like, you know, advanced metallurgy and material science combined with advanced manufacturing, right? And additive manufacturing in particular, robotics. You know, and then – and then that, you know, combined with artificial intelligence technologies. I mean, so, like, don't try to catch up with China on the current batteries, the current magnet technology. Do the next thing, you know? And I think that's what we

are on the cusp of doing. You know, I see so many startups here. You know, they haven't scaled yet, but, hey, they've got proven technologies.

You look at bioengineering. Bioengineering is, like – my colleague here, Drew Endy. That guy's a super genius, and so is his wife, Christina Smolke, and her company. So but just – and there are so many examples of this, where you have people who are – who have demonstrated the strength of our – of our entrepreneurship and our – you know, our unbridled sort of, you know, free market economy. Get the barriers out of the way, right, and, you know, deregulate where deregulation makes sense, to incentivize more private capital and to remove the barriers to scaling up some of these new technologies in manufacturing. And, you know, just get out of the way. Incentivize some of this. And jump ahead, I think.

You know, look at – look at, like, EM2 and small modular reactors, for example, in the area of nuclear fission. Another example, right? Hey, you know, China and Russia, you know, South Korea to a certain extent, I mean, they've got a lock on the current state of technology for fission, right? I mean, and they're doing a heck of a lot more manufacturing in the world than we are. Well, let's not try to catch up with them on that. Let's jump. Let's get the next generation going here in the U.S., export that, right? So I just – that's the way I think about it. What do you think? I mean –

Mr. Girishankar: I'm with you. I feel that we've sometimes forgotten the power of markets as a driver of dynamism and innovation. I mean, I feel like that's a – that's my biggest worry. That's, like, the time-tested, stress-tested aspect of our ecosystem. At the same time, I think that there are some technology enablers that are not about government trying to do this themselves, but enabling private entrepreneurs to do those things. So I think of energy as an enabler. I think of the workforce issues that you talked about – I wanted to get your thoughts on that. And I also think about creative capital and the availability of capital. These are enablers for the engine of American innovation. And I think some of those require policies, but I – you know, I'm deferring to you, sir, to give us your thoughts on that.

LTG McMaster: Hey, I agree with you. Yes. Yes. And so government should be a partner in enabling the free market. We have been, right? When we recognized the gravity of the tech competition the '50s, with the Sputnik launch, right, we got the National Defense Authorization Act that put defense money in academic institutions, right? And more defense money in academic institutions. And that's a model that's worked, right? Now, we allowed, you know, too many PLA scientists to be in our – (laughs) – to be in our Defense of Defense and Department of Energy-funded programs. I mean, who thought that was a good idea, right? So let's not do that. (Laughter.)

But – and also, let’s recognize there’s too much overhead, you know, in a lot of these government grants, academic institutions. There’s definitely a need for reform, right? Some of the research priorities are off. What I would like to see is a large language model applied to our research and development ecosystem. You know, all the military services. You know, so many – Department of Energy, Department of Defense, other departments of government, they’re all funding different research. Let’s get an inventory of that, right? And not that – not that we want to command, direct it, because, you know, basic research – I mean, you don’t know what’s going to come out. Something good is going to come out. You don’t know what it is. You can’t plan it directly.

But let’s – I think it’s time to kind of reassess and refocus and reform our research enterprise. But let’s not kill it. You know, we shouldn’t kill it, because it’s important to our competitive advantage. So that’s part of it as well. So everything you mentioned I agree with. I would add the research and development enterprise. And there’s an opportunity to kind of, I think, take it to the next level and reassess it at this point.

And, in that regard, I should say that it was really encouraging to look at the AI action plan’s goals with respect to AI’s application to grand scientific challenges. It’s kind of the things that you’re mentioning. The incoming undersecretary, to be confirmed, Dario Gil, who comes from IBM, is going to be running the national labs. And I – you know, this is going to be quite interesting to see what he does there. So there’s really some upside to what’s happening with the administration. I wrote about their isolation versus their innovation impulse. And I think this is where their innovation impulse is really something that we should support. And I just want to sort of echo what you’ve said there.

Mr. Girishankar: Let me ask –

LTG McMaster: Let’s encourage that innovation side, right?

Mr. Girishankar: Yes. Yes. We’ve got to.

LTG McMaster: And, you know, I’ll say you’re doing great work on this. And there’s an ecosystem of – you know, in academia on this, too. I’m thinking about the – there’s a Stanford Emerging Technology Review here. There’s a Technology Policy Accelerator here at Hoover. CSIS is dead in the middle of this. You’ve got the Special Competitive Studies Project, which I think is doing very good work on assessing critical technology areas. So, I mean, I think we know. We know what we need to know at this point. And it’s time to just move out on it.

Mr. Girishankar: Yeah. So let me – let me ask one question about creative capital. You know, I'm seeing that there's this emergence of private investors, who obviously have financial goals, but they also have non-financial goals. And those are around national interest, competitiveness, and defense. And so you've written a lot about this. I've been talking to folks about this. I had Mike Brown on here, you know, a couple months ago, Scott Nolan from General Matter. And I think of these folks as patriot investors. They have priced in the non-financial national interest goals, but they're using their capabilities as great investors to pursue really difficult challenges. Do you see this as catching on? Or are these, like, you know, one or two heroes that are doing this?

LTG McMaster: It's catching on. It's great. I love it, right? So, when I got out here in 2018 there was still, like, the post-Snowden hangover, right? You know, there was all this moral equivalence. You know, kind of the – what I would call, like, the soft-headed, you know, cosmopolitanism – (laughs) – you know, where, you know, everyone would be a global citizen. I'm like, OK, all right, man. Hey, there's some real competitions going on. And I want to, like, send Xi Jinping and Vladimir Putin chocolates and flowers. Say, thank you so much, right, you know, for clarifying the nature of the competition, right? And so people suddenly realized, hey, there is real, like, you know, badness in the world, you know?

And, you know, for all of our flaws, we're pretty good. You know, we're a democracy. We have a say in how we're governed. We have rule of law. We have due process of law. You know, we have freedom of speech and assembly, right? I mean, hey, you know, we have these tremendous advantages. And we've been born into or we have come to this country. Let's appreciate it. Let's celebrate the freedoms we enjoy, be proud of it, but also recognize we have a responsibility. We have a responsibility to protect our freedom, right, and to recognize that there is this kind of axis of authoritarians or aggressors who are acting against our interests.

And there's – I give credit to a lot of the, you know, venture capital leaders out here, you know, who realized this really is today, man: I'm going to be an American and be, you know, unabashed about it, right? I'm thinking about – you know, I'm thinking about, you know, like the – you know, the American Dynamism, you know, Fund. And I'm thinking about, you know, I mean, companies like Anduril, right? I mean Palmer Luckey, man. How cool is that man? The guy in flipflops and board shorts, man, and a Hawaiian shirt, who says, man, I'm going to apply my talent to national defense, right? You know, Palantir is in this category, but there's so many others to that.

I mean, you know, too many to mention of startups who are innovating, who see the need, right, and are putting their – putting their – these are venture capitalists putting their money behind it, entrepreneurs who are applying

their talent to it, you know, scientists and researchers were working on these tough problems. And, you know, they don't have to hide it anymore. You know, it used to be uncool, like, to work in defense and national security. Now it's hip. You know, it's hip.

Mr. Girishankar: Yeah. This is, like, a fascinating area. I'm so glad you're shining a light on it, because if the next generation of investors legitimately can bring their great capabilities as investors, married to national goals, we can go quite far in this country, given the system that we have.

LTG McMaster: I would say, you Mike Brown on, right? He's been at the forefront of this, right? And, you know, with, you know, Shield Capital is one of the many, many that are doing this, you know? There's Harpoon. There's, like, a whole bunch of them. You know, and the key thing is – and this is what I've heard from a lot of these venture capital leaders. We got to see it pay off, right? They've got to see their – you know, a path to revenue, you know? And so the government's got to get better, right, at doing business with these smaller firms, you know? And I see that starting to happen. It's starting to happen. I hope it continues.

You've got great leadership in the Department of Defense. I mean, Steve Feinberg, man, that guy, he knows – he know what needs to happen, you know? And so I – and he's from the outside, right? We kept scratching our heads, like, huh, why isn't defense procurement being – you know, being reformed? And the same people keep rotating in the Department of Defense. You're like, well, maybe that's got something to do with it, you know? So now you've got – you've got – you've got, you know, a new leader in there in that really critical deputy position, who I think knows what needs to happen.

So, hey, I'm pretty optimistic about it. You know, and there's support in Congress for all this. And it's one of the few bipartisan things people agree with, right? Who's against innovation? Who's going to raise their hand on that, right? So I think we've got some real – some real potential here.

Mr. Girishankar: Let me shift back to how we organize ourselves in government to be able to address these big national challenges. You've written about this in the statecraft paper. You've talked about this for many years, obviously, having been at the helm of this. You touched on it a little bit earlier in this conversation. What should we be doing at the apex and center of government – whether it's NEC or NSC, and how the interagency works? Because having spent some time myself, it just feels slow. We're spending more time coordinating. If I hear the word "coordination" one more time, it's just like – my gosh, it's like smacking your head against the wall again and again and again. What do we do about that?

LTG McMaster: OK. Well, this is going to sound kind of general to you, but, hey, you already alluded to it. It's got to be purpose-driven, right? So the first thing is you've got to come to an understanding of the nature of the problem. That's what we tried – that's what Andy Grotto and I did in the paper, trying to say, hey, what's the problem that we're trying to solve here, you know? And then – and then, based on that, you have to establish clear goals and objectives. You know, and then – and, you know, subject them to scrutiny, make sure everybody buys into it. Hey, does everybody agree that this is the nature of the problem, these are the goals and objectives? I know it sounds very basic, you know.

But then – but then what you have to do is you have to identify the assumptions on which your effort is going to be based, right. And you have to then – and then identify the obstacles to progress. What's impeding you? Why don't we have the level of innovation? Why don't we have – why don't we have the ability to take advantage of our – of our competitive advantages of the free market economic system, the way that we want to? You know, why don't we have the resilience in the supply chains that we want? Why don't we have the industrial capacity to make things, damn it, that we need to make in this country, you know? (Laughter.) You know, and so identify the obstacles to progress, and any opportunities that you can exploit.

And then you have to ask the question of people who come to the table with interdisciplinary perspectives. I think you need to have private sector people at the table. You know, because you need their expertise and you need the private sector to be a big part of it. And say – ask the payoff question, how do we overcome the obstacles of progress? How do we take advantage of the opportunities? And how do we begin to achieve our objectives? That's your strategy. That's your strategy, right? And then you have to have – as you already alluded to, you have to have measures of effectiveness, right? You know, measures of effectiveness to – and say – and they come back to it, you know, every six months or whenever. Hey, are we achieving what we wanted to achieve? If not, why not, you know?

And then part of this too is examining why we failed in the past. And I'm a historian, right, so kind of predictable I would say this, you know? We've been talking about supply chain resilience since the 1970s at least, right? You know, we've been talking about the atrophy in our shipbuilding capacity since the 1970s/80s. You know, why the hell didn't we do anything about it in the past? Some people tried, I think, right? But they failed. Why did they fail? Because what we don't want to do is to – is to kind of adhere to, you know, the definition of insanity attributed to Einstein, right? You know, is doing the same thing over and over again and expecting a different result.

Mr. Girishankar: Right. Right. General, you have such a deep perspective on these things. I got to ask you, the Betting on America agenda is not just about technology. It's

not just about economics. Ultimately, it's about the resourcefulness of our people and our ability to work together. And I think it is quite – it pains me that we are in extremely polarized times. When you talk to people – some of them in the Trump administration, some of them in the Biden administration, some outside of government – there are, like, some really brilliant, capable people of all stripes. And somehow we're not able to get together because we're, you know, really polarized, and throwing mud at each other, and so on and so forth. What's your thought on this? What's the answer? How do we find a path forward?

LTG McMaster: Yeah. Well, you know, it's got to be leadership, right? You need leaders to get to the politics of addition. You want to bring more people into the tent instead of doubling down, like, on a narrow political base. And you see this on the far left and the – or the far right, whatever. You know, actually the far left and far right, they kind of seem to agree with each other.

Mr. Girishankar: Yes, yes. (Laughter.)

LTG McMaster: I mean, it's crazy. So, hey, let's just have a conversation about, you know, what we can agree on at the outset, right? Do we agree that we want a better future for our children and grandchildren? I think we can agree on that. Can we agree that to do that we need to emphasize, you know, maybe reforms in education, we need to unleash the power, you know, of our free market economy through deregulation? We're going to need – heck, man, you know, if we – if we have a – if we have a movement toward wanting to make more in this country and we have to – we want to win the AI race, man, we better have a hell of a lot more power, man. Let's agree on that. We need to have a hell of a lot more power. And we want clean, reliable power. Let's figure that – let's figure that out, man.

I mean, there's so much we could do, right, that is not partisan – these aren't partisan agendas, right? I mean, so let's get after it, you know. And I think just beginning conversations with what we can agree on. You know, and stop trying to score partisan points with everything, you know? I think that would bring a lot of people into the tent. I mean, what we're seeing, I think – you know, this is not my area, but, you know, I would defer to the political scientists here, you know, in both of our organizations – in CSIS and Hoover – to tell us more about this. But what's happened is that the tents of the political parties have shrunk, right? And we know this is happening. Mo Fiorina, a great political scientist, is writing a book about this, and he's done great work on it already.

And what that's – what's happened is the big tents of the Republican and the Democratic parties have shrunk, you know? And it's left a lot of us, like, outside both the tents. We're, like, hey, you know, where's my – where's my tent, man, you know? And so, you know, I think there's got to be some reform

in that connection to bring more people in and, you know, to emphasize really what we want to achieve. And there's still a lot of – there's still a lot of bipartisan leaders, you know, but they get drowned out, you know, because of the people on the extremes. They're really good at social media, right? They're really good at being super loud. And they're mean. I think they're mean, you know? So let's be less mean, you know, and nicer to each other, and talk and talk about, like, what we could agree on. How about that?

Mr. Girishankar: I love it. I love it. And then, you know, I'm a fan of Ralph Waldo Emerson. And I think it was in Self-Reliance that he said, "do the thing and you will have the power." And I think if we just pick a few things and we do them, we will have the power. And then we could just keep compounding on that. And, you know, these are just some, like, timeless and universal truths. But you don't understand how much of an honor it has been to have this conversation with you, sir.

LTG McMaster: Oh, no, hey, the honor's mine because, you know, I'm betting on America, man, you know. (Laughter.)

Mr. Girishankar: I love it.

LTG McMaster: And we need more positive voices like yours. So what a privilege to be with you.

Mr. Girishankar: Thank you, sir. And thank you for joining this thought-provoking conversation with former National Security Advisor General H.R. McMaster. You can find this episode of Betting on America and more on CSIS.org, YouTube, or wherever you get your podcasts. This is Navin Girishankar, reminding you that everyone has a role to play in the tech race.

(END.)