

Debating the Decline of U.S. Power

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概要：本論文はアメリカンパワーの源泉、枠組みの分析と歴史的な比較などを通じ、「アメリカの力はすでに衰えたのでは」という世界的に広がった論調に挑戦する。確かに、アメリカとほかの国との間の格差は縮まっているが、これはアメリカのパワーの絶対的な衰弱と影響力の衰退というより、米国による世界支配が難しくなることに対する心理的な不安である。アメリカンパワーの真の脅威は内部的な挑戦であり、特に財政危機、低教育水準の労働力と両極化した教育の現状である。

Abstract

This essay challenges the current global conventional wisdom that the United States has declined relative to other powers. It does so by analyzing the origin, history, and enduring mechanisms of US power in the global arena. The “decline” of US power is less about the rapid decay of US material power resources and more about the catch-up of the other key states. In this context, US dominance may wane, but not its leadership and global influence. The real threats to American power lie in internal challenges, including fiscal constraints as well as problems in training and educating a domestic workforce.

Introduction

The global hot topic, whether the United States is waning, is increasingly occupying the headlines of major global political and economic intellectual vehicles (major international newspapers, influential scholars' books, international journals or magazines, representative

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international forums or meetings)¹ As the only superpower, the change of the American power not only matters for itself but has profound impacts on others and the international system as a whole. Although there is still no consensus on the topic, it is widely believed that “the international political system is in flux and that the post-Cold War era of American preeminence is winding down.”² The current debate about the decline of U.S. power differs more on the extent rather than either or. Furthermore, the declinists' arguments seem to be more persuasive and convincing in the aftermath of the economic crisis. However, such prognoses are often based on the short-term trends and unclear criteria. The core question of the debate should be pulled back to the very basic point, which is whether the United States has declined and how this can be determined. This essay tries to address these questions in the light of historical comparison and the basic mechanisms of the U.S. power.

Background Review

To begin, we should not forget two basic realities about the current debate on American decline.

First, it should not be forgotten that this global debate has a relatively short history. Until the fall of 2007, the majority of scholarship and punditry believed that the world system was dominated by a unipolar hegemony and that such hegemony would last for some time. The sub-prime loan crisis broke this conventional consensus and invited new concerns domestically and internationally. The editorial of the *Financial Times* in December 2007

¹ Cullen Murphy, *Are We Rome? The Fall of an Empire and the Fate of America*, (New York: Houghton Mifflin Harcourt, May 2007). Fareed Zakaria, *The Post-American World* (New York: W.W. Norton & Company, Inc., 2009). David S. Mason, *The End of the American Century* (New York: Rowman & Littlefield Publishers, Inc., 2009). Robert A Pape, “Empire Falls,” *The National Interest*, Jan/Feb 2009, pp.21-34. Martin Jacques, *When China Rules the World: The End of the Western World and the Birth of a New Global Order*, (New York: Penguin Press, 2009). World Economic Forum, *America in the Asian Century*, September 14, 2010. Clive Crook, “A Paralysed, Diminished America,” *Financial Times*, November 21 2010. Robert D. Kaplan, “America’s Elegant Decline,” *the Atlantic*, November 2007. Alfred W. McCoy, *The Decline and Fall of American Power*, <<http://www.tomdispatch.com/archive/175327/>>, accessed on January 17, 2011. Akihiko Tanaka, “Oube Chuoshin Sekai no Shuen he” [Toward the Ending of Europe and America-centered World], *Nihon Keizai Shimbun*, January 6, 2011. Terumasa Nakanishi, *Haken no Shuen* [The Weakening of Hegemony] (Tokyo, PHP, 2008). Jin Canrong, “Gaobie Xifang Zhongxin Zhuyi” [Departure from the Western-centerism], *Guoji GuanCha* [International Review], No.2 2002, pp.1-11. Gao Debu, *Xifang Shijie de Shuailuo* [The Decline of the Western World] (Beijing: Chinese Renmin University Press, 2009).

² Christopher Layne, “The Waning of the U.S. Hegemony: Myth or Reality”, *International Security*, Vol. 34, No. 1 (Summer 2009), p.147.

warned people “not to take the primacy of the dollar for granted.”³ Similarly, *Economist* wrote pessimistically about future of the dollar as world money.⁴ However, such concerns did not translate into a serious suspicion toward U.S. power or hegemony. International capital continued to flow into the United States and American consumption remained the driving force for global economic growth. As a result, the real debate on American decline did not begin until the collapse of Lehman Brothers in September 2008. The financial crisis of Wall Street spread across the American and world economies and made global confidence in the United States wane. The first Group of 20 gathering not only proved American inability to solve the crisis unilaterally but moved the debate beyond the borders of the western world. The debate has increasingly gained more global attention in the past year and half.

Second, it should not be forgotten that the issue of American decline is an old topic, with various precedents. As Joseph S. Nye points out, “Americans are prone to cycles of belief in their own decline.” In fact, the prevailing argument of American decline has many precedents in history. To some extent, American hegemony evolved with the debate of decline. The history of the Cold War, for example, was often motivated by American fears of decline and by innovative responses to maintain American hegemony. After the Korean War, American leaders feared a decline in power in Asia. Likewise, the Soviet Union's launching *Sputnik* compounded the fear of American decline in 1957. The 1960s witnessed the failure in Vietnam and the incapability of defeating a less well-equipped enemy. In the early 1970s, the so-called “Nixon Shock” led the United States to abandon the dollar-golden standard and thereby to enforce a floating exchange rate system on the world. For the United States, severe economic recession combined with the failure in Vietnam stood in stark contrast to the economic renaissance and integration of Europe, and to the Soviet Union's aggressive military progress.

The second wave of the American decline debate reemerged in the second half of the 1980s with the rapid rise of Japan as an economic power symbolized by the expansion of Japanese investment in the United States and the purchase of several iconic American buildings (for example, the Rockefeller Center in New York). The Japanese method of corporate management even became popular among U.S. businessmen. The famous Harvard Professor Samuel P. Huntington, the author of a globally provocative book entitled *The Clash of Civilization*, unambiguously labeled Japan as the “biggest enemy” to the United States.⁵ Nevertheless, history proved that Europe, the Soviet Union and Japan could not overturn

³ “It's a Multi-Currency World We Live In,” *Financial Times*, December 26, 2007.

⁴ “Losing Faith in the Greenback-The Falling Dollar,” *Economist*, December 1, 2007.

⁵ Huntington Samuels, “America's Changing Strategic Interests,” *Survival*, Vol.33, No.1 (January/February 1991).

America's hegemonic status. More than that, with the demise of the Soviet Union and the collapse of the Japanese bubble economy, the United States found itself as an unrivalled power after the Cold War.

The Logic of Hegemony: Borrowing Power & Dual-pillar Framework

It is an axiom of international relations discipline that power may be defined as a state's ability to control, or at least influence, other states or the outcome of events.⁶ This definition implies two dimensions of a state's power: the capacity for influence and the outcome of seeking such influence. Put simply, power should be seen as a two-sided coin of means and ends. Means are basically supported by *power resources*-by the method of hard and soft power smartly analyzed by Joseph S. Nye. Ends are basically measured by the *power outcomes* which the influencer wants. Power resources are the foundation for influence. Without necessary power resources, it is impossible for a state to obtain the power outcomes. On the contrary, the power outcomes are not necessarily parallel to the power resources. That means more power resources do not directly translate to corresponding power outcomes. The middle variable bridging them is *intention*. A more ambitious intention means more willingness to use power resources but not necessarily to achieve more power outcomes. A more moderate intention means more reluctance to use power resources but not necessarily to achieve less power outcomes. Unfortunately, power in the discussion of international relations has been measured more by means but less by ends. Keeping this in mind, this essay will assess American power from the standpoint of its means, ends and intentions. In this section, America's power resources - especially hard power - will be addressed.⁷ There are two main tasks: first, to analyze the origin and the fundamental framework for bolstering American power resources (or hegemony)⁸; and second, to assess whether the American power resources are waning. Why the first task is necessary? It is because an objective assessment of power resources not only depends on the current data collection but more on the potential and vigor of power resources mechanism.

⁶ Martin Griffiths, Terry O'Callaghan, Steven C. Roach, *International Relations: The Key Concepts* (Abingdon, Oxon: Routledge, 2008), p.258.

⁷ The soft power dimension is undoubtedly crucial to this topic. However, soft power which is the much loosely defined and broader in scope may lead this paper to an endless writing and less focused.

⁸ The definition is far from achieving consensus although it has been widely used and even sometimes abused. Hegemony's corresponding Chinese character (*Baquan* in Chinese and *Haken* in Japanese) is institutively negative with the nuance of the strong controlling or bullying the weak in international relations. However, hegemony in international relations context should be treated as a neutral term to avoid the possible biased understanding and usage of it.

Debating the Decline of U.S. Power

American power has evolved in the form of a hegemonic strategy since the end of the Second World War. American power resources overwhelmed that of all other countries when the War ended. The “sun never set” British Empire reached its power resources peak in 1870 by accounting for 32% of the global industrial production. Obviously surpassing the British Empire, the United States produced almost half of global GDP in 1948.⁹ In military, the United States' primacy contrasted more starkly because Europe and Japan largely squandered their military power resources during the War. The unprecedented status of the United States naturally led Henry Luce to herald an “American century” in the 1940s.¹⁰ The ensuing history confirmed his prophecy: the 21st century became the age of America. The collapse of the Berlin Wall and the demise of the Soviet Union left America the only superpower. American intellectual circles cheered this result and coined various concepts to celebrate U.S. primacy. Francis Fukuyama even described American victory over communism as an “end of history” and described the United States as “the last man” in human history.¹¹ A more modest tone was found in the notion that the world was experiencing a “unipolar moment” with a single, lonely and unrivalled superpower.¹² The 1990s witnessed the recovery of the U.S. economy and its enhanced military interventions. The war on terrorism initiated after the 9/11 attacks not only led to two major wars in less than two years but also symbolized the unilateral turn of American foreign policy. American military primacy, its credit-fueled economy of the 2000s, and its diplomatic unilateralism further convinced the world of a unipolar age. What, however, is the secret or logic of American hegemony?

American hegemony differs fundamentally from the British hegemony. The main feature of the latter was old imperial hegemony with direct overseas expansion and colonization. The British used its overwhelming power resources to occupy overseas territories and to exploit raw materials, market monopolies and cheap labor. The British system of empire was basically “self-only prosperous model” which supported the prosperity of the mother country but imposed general poverty and instability in most of colonies except for several white dominions. This kind of highly discriminating, hierarchical and exploitative hegemony partly led to the collapse of the British Empire and its colonial system.

In contrast, U.S. hegemony has been established on a new structure, which is highly institutionalized, strategically designed and globally covered. In the early days after the

⁹ G. John Ikenberry, *Liberal Order & Imperial Ambition* (Ithaca, N.Y.: Cornell University, 2006), p.26.

¹⁰ Ibid., p.21.

¹¹ Francis Fukuyama, *The End of History and the Last Man* (New York: Free Press, 1992).

¹² Charles Krauthammer, “The Unipolar Moment,” *Foreign Affairs – America and the World*, 1990, special issue, Vol. 70, No. 1 (1990/91), pp. 25-33.

Second World War, the United States avoided behaving as a crude occupier or old imperial bully to Western Europe and Japan. The United States basically behaved as “an empire by invitation”.¹³

The post-War power resources of American hegemony were basically established on two pillars, each of which has an internal and external dimension. The first pillar is a strong military capability combined with an extensive military security alliance network. In Europe, the security alliance network was reflected and represented by the North Atlantic Treaty Organization (NATO). In Asia, a “hub and spokes” bilateral security alliance network tightly connected Washington to Japan, South Korea, the Philippines, Thailand and the Oceania countries.¹⁴ The second pillar is strong U.S. economic capability and the liberal economic and political coordinating institutions, which covered the western community and later the world, including the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank and the Group of 7.

The two pillars of U.S. hegemony have worked connectedly. Learning lessons from the British failure, the United States decisively helped Western Europe and Japan to develop their economies in the first place. The goal was to promote common prosperity in the alliance network. Any hegemony means hierarchy, but the United States tried to make its junior partners prosperous and feel engaged in the rule making process, which aimed to seek to mitigate their sense of subordination as well as any type of independent nationalism. At the same time, economic prosperity increased the loyalty of allies and the moral legitimacy of U.S. leadership and values. Boosting allies' economies was an early strategic investment in the design of American hegemony. After Western Europe and Japan recovered and later prospered, the United States has been harvesting the benefits of such “networks and alliances” since 1960s.¹⁵ The core content of American hegemony depends on the “borrowing power” of first investing in and later harvesting economic and security benefits, which are both formalized by institutions.

This was a big bargain. The United States tightly bundled the political security interests and economic activities. Only the allies who basically accepted American troops, military bases and the burden of defense spending could enjoy access to the huge American market, access advanced technology, and exploit protection by the various institutions established by America. In both political and economic fields, the United States has been on the top of the

¹³ Geir Lundestad, “Empire by Invitation? The United States and Western Europe, 1945-1952,” *Journal of Peace Research*, Vol. 23, No. 3 (Sep., 1986), pp. 263-277.

¹⁴ Josef Joffe, “Bismarck or Britain? Toward an American Grand Strategy after Bipolarity,” *International Security*, Vol. 19, No. 4 (Spring, 1995), pp. 94-117.

¹⁵ Joseph S. Nye, Jr., “The Future of American Power: Dominance and Decline in Perspective,” *Foreign Affairs*, November/December 2010, p.11.

system. The allies have enjoyed the benefits of American the hegemony but at the same time sacrificed some autonomy and independence to adjust to America's strategic needs. Put simply, America's hegemonic logic in the Cold War followed two steps. The first was to provide economic incentives to lock in the allies under the security framework dominated by the United States. The second was that the economic cost of the alliance network defined as a "public good" was covered by the alliance economies between the United States and its allies. America tolerated expansive domestic consumption and the huge trade deficits with its allies as the major export destination. The capital to boost American consumption could be easily financed through printing dollars and the issuance of Treasury bonds to its allies. If there were any conflicts between America and its allies, these could be coordinated and resolved through the various institutions. As the security dependents and the alleged beneficiaries of American hegemony, the allies tended to compromise for maintaining the whole system alive. The Plaza Accord, which led to the rapid appreciation of the Japanese yen, was a case in point.

After analyzing the logic of American hegemony, the paper tries to proceed the second task of assessing whether the American power resources are waning. Two steps could be made to capture the more comprehensive picture. The first is to make historical comparison of American power global share vertically and horizontally. The second is to assess the validity of the American power framework.

First, the United States is not experiencing absolute decline in power resources but a relative rise of other countries' capabilities.

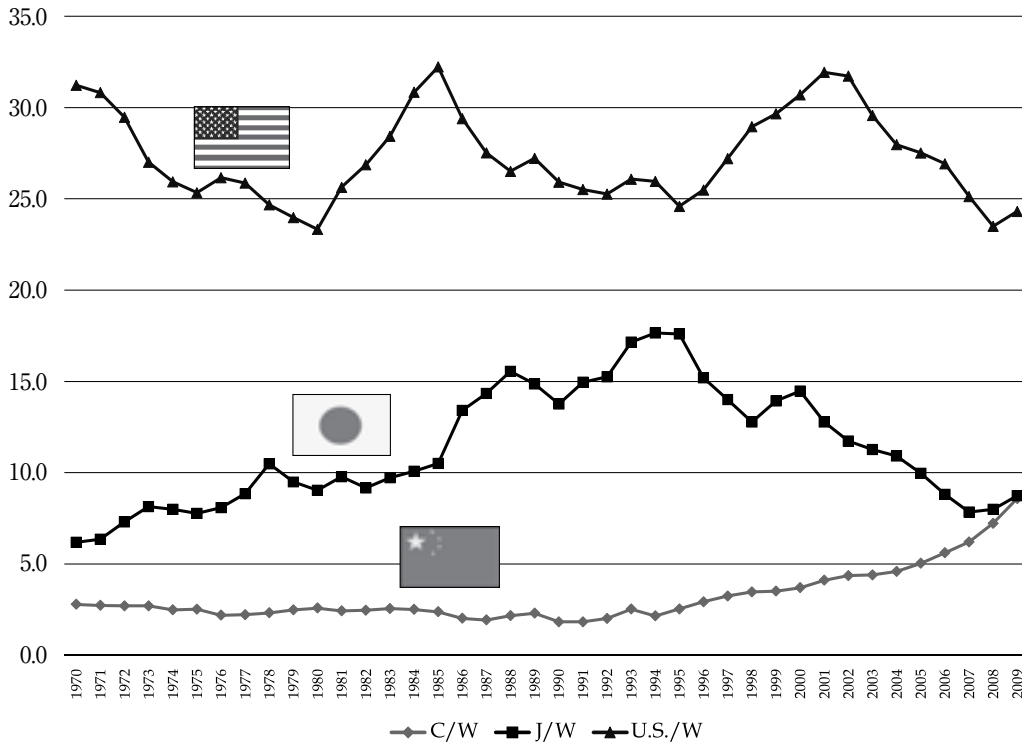
Vertically, analysis by comparing its own historical position in the world proves that the United States' hard power maintains has not experienced major changes. (see figure 1)

In terms of economic power resources, the global share of the U.S. GDP has been basically and stably fluctuating between 25%-30%. According to the data of the World Bank, this ratio was 25.9% in 1990, 24.6% in 1995, 30.7% in 2000, and 26.9% in 2005. Even in 2009, the year of severe economic recession, the U.S. GDP still occupied 24.3% of the global GDP.¹⁶ In the meanwhile, Japanese share of GDP's global was 8.7% in 2009 and China's was 7.2% in 2008, meaning that the combined GDP of the second and third biggest economies in the world are still less than 70% of that of the U.S.

In terms of military power resources, American defense expenditure has kept increasing in the last 13 years since 1998. In 2006, the Pentagon's budget accounted 51% of that of the world total, and that meant America alone spent more than the rest of the world combined. It is worth pointing out an important but largely unnoticed fact that the United States has dramatically increased the overseas military bases in the world. By 2008, America had 761

¹⁶ U.N. Statistics Bureau Database.

Figure 1 : Major Powers' Share of World GDP



Source: U.N. Statistics Bureau Database

bases in 39 countries with more than 300,000 troops (this excludes 90,000 military personnel moving with warships on the sea).¹⁷ Especially in the Middle East, there was no U.S. military base in this region by the 1990s. But U.S. bases have mushroomed in the Middle East since the Gulf War. Andrew J. Bacevich, a professor at Boston University, has labeled the United States as a “Base Empire,” which “has divided up the planet (and universe) into “unified commands,” each headed by four-star general or admiral. These commands include Pacific Command, Central Command, European Command, Africa Command (created in 2007), Southern Command, Northern Command, Space Command.”¹⁸

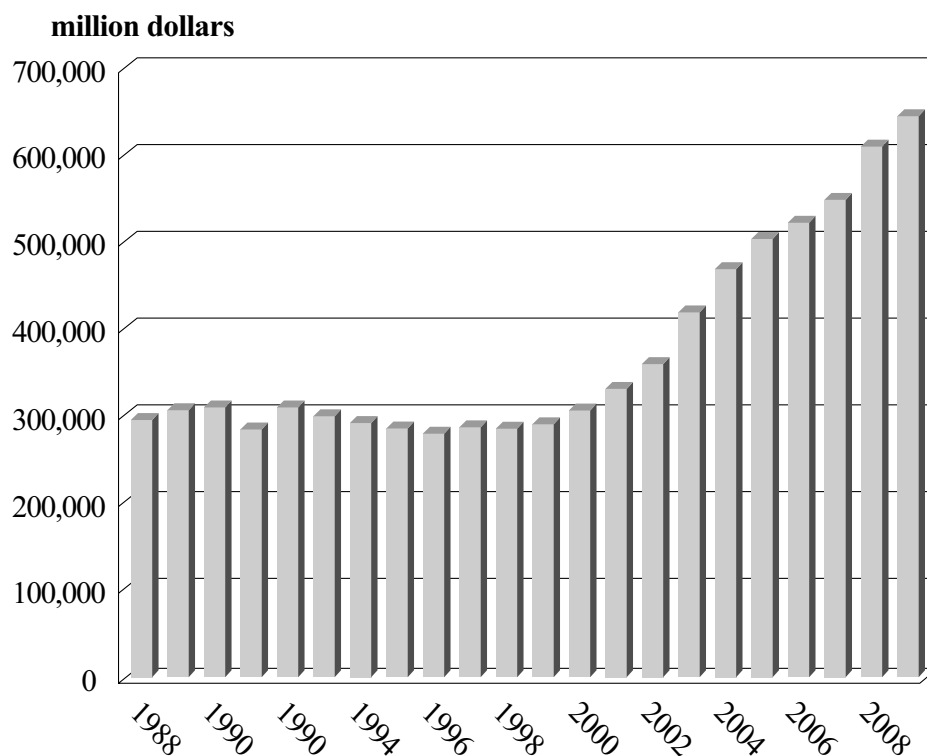
Horizontally, comparing the historical trajectory of world positions of the United States and other major powers further confirms the no-decline of U.S. power (even power rise in military field).

The military gap between the United States and other major powers has broadened rather than shrunk since the end of the Cold War. According to the data of the Stockholm

¹⁷ Andrew J. Bacevich, *Washington Rule: America's Path to Permanent War* (New York: Metropolitan Books, 2010), p.25.

¹⁸ Ibid.

Figure 2: The Military Expenditure of the U.S.



Source: Stockholm International Peace Research Institute (SIPRI)

International Peace Research Institute (SIPRI), American military expenditure in 1988 was 1.6 times that of the former Soviet Union who was the then second biggest military power. In 2009, American military expenditure was 6.7 times that of China who was believed to be the second military spender in the world.¹⁹ U.S. overseas military bases have been scattered across the all continents except the Arctic but few other countries have overseas bases.

Meanwhile, the horizontal comparison with other major powers in economic power resources seems to be more complicated although the absolute American share remains stable. The rise of the newly emerging economic powers represented by the BRICs countries (Brazil, Russia, India and China) increased the numbers of countries with relatively less economic gap with the United States. According to World Bank data, the GDP global shares of Brazil, Russia, India and China were 2.7%, 1%, 1.4% and 3.4% in 1998. Two decades later, this ratio became 2.7%, 2.7%, 2.1% and 7.2%.²⁰ Except Brazil, the other three countries almost doubled their global shares. As it is clearly shown, U.S. absolute economic power remains stable, and the current situation is not American decline, but the “the rise of

¹⁹ Calculated by the author according to the Stockholm International Peace Research Institute database.

²⁰ U.N Statistics Bureau database.

the rest.”²¹ If we conceive the emergence of economic powers of European countries and Japan in 1970s and 1980s as the first wave of “the rise of the rest,” the second wave started in the aftermath of the end of the Cold War and still in the process.

The analysis above proves that power resources situation of the United States has not declined. But these should not be the only indicator of American hegemony. The attention needs to be focused on the external side of the American power framework whose core is borrowing power within the dual-pillar framework. I argue that the mechanism of American hegemony is facing challenges but no fatal crisis, and the external sides of the two pillars will continue to function.

First, the current global governance institutions basically established by the United States remain useful in spite of numerous flaws. They should be improved, upgraded, or even modified to a great extent, but they are not replaceable. No country has capabilities to rebuild the global governance system from scratch because it is extremely costly.²² More than that, almost all the emerging countries are basically beneficiaries of the existing institutions and that is why it took China more than a decade to enter the gate of the WTO. Joining the current global institutions is much cheaper and easier for the new powers. In this sense, the current governance institutions could be seen as global public goods and will remain its vigor in the future.

Second, the external side of the security pillar is more controversial and will continuously face challenges. But the security alliance network is not irrelevant and is highly likely to survive though possibly with more modest forms. The rapid rise of the new powers carry hopes and concerns simultaneously, and the American military presence could be seen as a basic source of easiness and confidence by its allies.²³ The nuclear proliferation could be abused as an excuse to augment U.S. military intervention like terrorism but it is also a concern for the world. The security alliance network might not be for immediate use like in the Afghanistan and Iraq wars in the near future but will still provide basic insurance

²¹ Fareed Zakaria, *The Post-American World* (New York: W.W. Norton & Company, Inc., 2009), pp.1-4.

²² China's attitude toward the U.S. dollar is evidence in point. China called for the reform of the current global financial system but basically recognizes the primary status of the dollar.

See Hu Jiaotao, Answers Questions with Washington Post, January 16, 2011,

<<http://www.washingtonpost.com/wp-dyn/content/article/2011/01/16/AR2011011601921.html>>, accessed on January 16, 2011.

²³ Chinese Dissatisfied over Speech by Lee Kuan Yew, <http://www.china.org.cn/china/2009-11/04/content_18826993.htm>, accessed on January 17, 2011. Speech by Lee Kuan Yew, Minister Mentor at U.S.-ASEAN Business Council's 25th Anniversary Gala Dinner, October 27, 2009, Washington DC.

<http://www.news.gov.sg/public/sgpc/en/media_releases/agencies/mica/speech/S-20091027-1.html>, accessed on January 17, 2011.

equipment.

Both from the perspectives of the situation and the mechanism, the power resources of the United States are not in decline. The external sides of two pillars still show the strong validity to support U.S. power to maintain the preeminent status for some time. However, the future of the internal sides of the two pillars which are more connected with American own power resources creating capability is an open question.

Intention, Power Outcomes and the Abuse of the Logic of Hegemony

Why did so many arguments of American decline emerge despite no real power resources decline? The answers should be found by starting talking about America's intention. The end of the Cold War inflated American intention more than its power. As John J. Mearsheimer argues, the “global dominance” has been the consistent core of American grand strategy over the past two decades. He writes

Global dominance has two broad objectives: maintaining American Primacy, which means making sure that the United States remains the most powerful state in the international system; and spreading democracy across the globe, in effect, making the world over in America's image.

....

With global dominance, no serious attempt is made to prioritize U.S. interests, because they are virtually limitless.²⁴

However, the United States was trapped in a dilemma between hyper-inflated intention and the relatively limited power resources which partly rely on its allies. The external side of security pillar of U.S. hegemony faced serious legitimacy crisis after the collapse of the Cold War although the external side of economic and political governance remained valid. In the early 1990s, Europe showed its resolve in deepening integration and independence through the formation of the European Union in 1993. In Asia, U.S. withdrawal from the Philippines and the drift of the U.S.-Japan alliance made the future of the security alliance network uncertain. For America, the collapse of the security alliance network pillar, the core

²⁴ John J. Mearsheimer, “Imperial by Design,” *The National Interest*, Jan/Feb 2011, p.19. The dominance strategy shift could be supported by many governmental documents. William J. Clinton, *A National Security Strategy of Engagement and Enlargement* (Washington, D.C.: White House, Feb. 1995). President George W. Bush announced that the United States should prevent any other power from “surpassing, or equaling, the power of the United States,” George W. Bush, *The National Security Strategy of the United States of America* (Washington, D.C.: White House, Sep. 2002), p.30.

of its overall hegemonic framework, could lead to a hegemonic crisis and even the collapse of the whole system. As a result, the United States tried to overdraw the benefits of borrowing power by putting attention on enhancing the security pillar for satisfying its global dominance intention. Successive administrations believed that once the security pillar was enhanced, global confidence would follow and economic pillar could be automatically strengthened. This was the basic logic and incentive.

The 1990s witnessed America's efforts to justify the reasons to keep its security alliance network relevant. In Europe, the United States introduced the concept of humanitarian crisis represented by the ethnic cleansing as the new security threat. In 1999, the NATO formally formulated the new strategy which theorized the legitimacy of using force by humanitarian intervention.²⁵ In Asia, the North Korean nuclear crisis and China-Taiwan tension were highlighted to justify the redefinition and enhancement of the Japan-U.S. alliance.²⁶

If the 1990s only witnessed relatively passive reactions toward alliance network crisis, the 2000s proved to be an aggressive era of active upgrading and enhancing this pillar. The terrorist attacks in 2001 challenged the American hegemony but it did not threaten American primacy. On the contrary, the ensuing war on terrorism and American unilateralism reconfirmed the reality of American hegemony. Meanwhile, the United States found the new justification for the security alliance network: anti-terrorism. In the 2000s, the Bush II administration abused the dual-pillar framework to extreme. A belligerent superpower boosted a widespread confidence in American power to an unprecedented height, which led to continuing inflow of foreign capitals into the United States basically in the form of purchasing the Treasury bonds. Even countries such as China, which occasionally criticized the American hegemony, held huge confidence in America power and kept buying U.S. government securities. The result was that the United States felt borrowing money extremely cheap and sustainable. Overfunded American financial institutions multiplied the financial products in an astonishing speed and issued loans on increasingly loose terms. The enhanced imperial ambitions and actions boosted the global

²⁵ Clara Portela, *Humanitarian Intervention, NATO and International Law* (Berlin: Berlin Information-center for Transatlantic Security, December 2000).

²⁶ U.S. Department of Defense, *East Asia Strategy Report*, February 17, 1995.

<<http://www.defense.gov/releases/release.aspx?releaseid=380>>, accessed on Dec.20, 2010. The report usually dubbed as the Nye Report after the name of Professor Joseph S. Nye, then Assistant Secretary of Defense for International Security Affairs. Professor Ezra F. Vogel of Harvard University who was in National Intelligence office was deeply involved in the drafting process. *Japan-U.S. Joint Declaration on Security: Alliance for the 21st Century*, issued by Prime Minister Hashimoto and President Clinton on April 17, 1996.

confidence in American hegemony. The global confidence translated into huge inflow of cheap capital to support American Empire. The abundant dollars bred the unconstrained consumption and credit-fueled boom. This was a vicious circle of a hyper-inflated imperial bubble. The United States became lazy, spoiled and arrogant, which led to the irresponsibility in its fiscal policies. The “9.15 Leman shock” meant the collapse of this kind of the vicious circle of hyper-inflated imperial bubble. The framework of “borrowing power” itself has no fault, but it had been overused by focusing on security side and military coercion. America should have attached more importance to enhancing and upgrading the pillar of global governance and real economic capability.

Measured by the power outcomes, American power is obviously “declining”. The United States became more resolved in military interventions after the Cold War. But it did not achieve what it hoped for, namely, democratic government, peace and security, and the rule of law in defeated countries. Worse than that, the United States is now trapped in “protracted wars in Afghanistan and Iraq” without optimistic exit plans.²⁷ Washington also failed to solve the conflicts with Iran, North Korea and the Israel-Palestine problem.

In the economic field, the similar global dominance intention led the United States to exploit its financial privileges to extreme but ignored the mounting demand for institutional reform. The result was the collapse of the debt-fuelled boom and the forced adjustment. The most conspicuous example is the initiation of the Group of 20 summits. As Les H. Gelb, President Emeritus of the Council on Foreign Relations, argues, “the United States is less and less able to translate its economic strength into influence abroad, even though it will remain for some time the world’s largest economy.”²⁸

Although the United States remains the most powerful state in terms of power resources, the power outcomes have been less and less matched to U.S. expectations. This mismatch was brought about by its hyper-inflated intentions and ensuing actions. The over-exploitation of its power mechanisms also led to the arrogance and laziness of the United States, which is increasingly breeding dangers within. The next section aims to focus on these internal challenges to U.S. power resources. Without its own sustainable power resources, even if it makes its external intention much more moderate, the United States embraces high risks of real decline in the long term.

The Internal Challenges to American Power

On the surface, the fiscal situation’s deterioration would impair and even erode U.S. power

²⁷ John J. Mearsheimer, “Imperial by Design,” *The National Interest*, Jan/Feb 2011, p.19.

²⁸ Leslie H. Gelb, “GDP Now Matters More Than Force,” *Foreign Affairs*, November/December 2010, p.36.

directly. Federal debt has essentially tripled over the past decade, from \$3.5 trillion in 2000 (35% of GDP) to \$9 trillion in 2010 (62% of GDP).²⁹ Public debt per capita reached \$20,000 and rose 50% over this period. The Congressional Budget Office projects that within ten years, federal debt could reach 90% of GDP and the IMF latest staff paper predicts that U.S. public debt could equal total GDP as soon as 2015.³⁰ In the past, it was only in the mid-1940s that the United States experienced public debt exceeding 100% of GDP due to participation in the Second World War. However, there was huge growth potential for the United States after the war. The current situation is quite different in that the U.S. economy does not contain the same growth potential as it did 60 years ago. Furthermore, the deficit for fiscal year of 2009 was \$1.6 trillion, or nearly 12% of a GDP of just over \$14 trillion.³¹ This ratio was only 2.3% in 2005 and 0.1% in 2001.³² According to the most recent data, the deficit/GDP ratio of the United States is 8.0%, more than any major western countries. (Japan 7.6%, the United Kingdom is 7.9%, France is 5.0%, Germany is 3.1%, Italy is 3.6%).³³ Furthermore, the United States now borrows about 40% of every dollar it spends.³⁴ Without robust economic growth, the United States will have to cut its budget and keep borrowing capital from overseas. Ambitious fiscal austerity could stunt economic recovery, but excessive borrowing without economic growth could lead to a decline of U.S. Treasury bonds' attractiveness. Then, increasing interest rates on Treasury bonds would be the last resort for maintaining the attractiveness. But the dilemma would be that the debt interest would sore and become an additional burden to the government. According to a report issued by an 18-member bipartisan commission on fiscal responsibility, by 2025 tax revenue will be sufficient to finance only interest payments (from current \$200bn a year to \$1000bn) and entitlement.³⁵

The risks are big, but the fiscal crisis should not be exaggerated. The future won't be as gloomy as the projections above. There are two advantages for the United States to avoid or at least postpone the process. First is the financial privilege of the dollar as the international reserve currency. Unlike other countries, the United States could avoid capital shortage by printing dollars although excessive issuance would lead to the global financial turmoil. The second advantage is the American Treasury bonds are largely held by emerging countries such as China and the rich oil-producing countries. These states do not want to see the

²⁹ Roger C. Altman and Richard N. Haass, American Profligacy and American Power: The Consequences of Fiscal Irresponsibility, *Foreign Affairs*, November/December 2010, p.27.

³⁰ *Ibid.*, p.25.

³¹ *Ibid.*, p.26.

³² "Paydown problems," *Financial Times*, January 14, 2011.

³³ *Ibid.*

³⁴ *Ibid.*

³⁵ *Ibid.*

melting down of the dollar, which would mean a sudden shrinking of their foreign asset base. These countries have realized the risks and China, for example, has begun to diversify its financial asset investment in Euro, Yen and other currencies.³⁶ But diversification takes time and that reality will provide breathing space for American adjustment. Already, America has begun to translate its fiscal austerity slogan to actions. In December 2010, President Obama announced a two-year freeze on pay for civilian government workers. The Pentagon announced that it would cut its annual budgets of more than \$500bn by a combined \$78bn over the next five years.³⁷ With more conservative spending policies and relatively stable economic growth, the fiscal difficulty is not a problem without a solution.

The uncertainties and concerns about American power may lie more deeply hidden in various social measures. If a country can mobilize elites and educated working forces, the temporary difficulties could in principle be overcome. The objective obstacles could be removed by dynamic economic and social pro-activeness. Therefore, people matters more.

Quantitatively speaking, demographic situation of the United States is most favorable compared with other major industrial countries and even the emerging countries. Due to its high birth rate and more importantly high immigration rate, American population will maintain the stable growing and remain relatively young in the coming decades. When others begin to experience low or minus population growth and rapid aging society, the United States will be well placed in “the demographic exception” and continue to enjoy the population bonus.³⁸ According to U.S. National Intelligence Council's famous report *Global Trends 2025: A Transformed World*, the American population is set to grow to by 40 million over the two decades 2005-2025. By 2050, American population will probably reach 440 million, still the third biggest in the world.³⁹ According to U.S. Census Bureau projections, the American population will grow by 20% or 60 million (from 310 million to 374 million) between 2010 and 2030. In contrast, China, the current biggest population country, is expected to reach its peak in 2032 and then decrease.⁴⁰ As Nicholas Eberstadt points out, “By such projections, the United States' population growth rate will nearly match India's.”⁴¹ Besides maintaining big population size, the young America will be an exception in an era of global aging. According to U.S. Census Bureau projections, the average age in American will be 38.2 by 2025, that is, much younger than other advanced countries. (Japan 50.5, Germany

³⁶ *Financial Times*, January 15-16, 2011.

³⁷ “Pentagon faces big budget cuts,” *Financial Times*, January 8, 2011.

³⁸ Nicholas Eberstadt, “The Demographic Future: What Population Growth-and Decline-Means for the Global Economy,” *Foreign Affairs*, November/December 2010, p.62.

³⁹ National Intelligence Council, *Global Trends 2025: A Transformed World*, November 2008.

⁴⁰ *Nihon Keizai Shimbun*, January 1, 2011.

⁴¹ *Ibid.*

48.1, Italy 47.9).⁴² In emerging countries, China has senior population of 115 million people (65 years or older) in 2010⁴³, slightly less the total population of Japan. By 2030, it is estimated to reach 240 million.⁴⁴ Chinese median age will reach 45 by 2050.⁴⁵ The youthful and expanding population in the United States could thus be a rich source of labor and consumption market and offer relatively low fiscal burden for pension and medical care expenditures. All of these factors are favorable for maintaining and strengthening American power.

Qualitatively speaking, the American demographic situation is embracing exploding uncertainties and risks. The collapse of the debt-fueled boom led to a high unemployment rate, which is hovering 10%. It is not a historical record if compared to 25% during the Great Depression of 1930s. However, the current situation indicates no obvious growth fields that could absorb a labor force with low levels of education and skills. The U.S. government hopes to rebuild growth more on manufacturing and exports. President Obama announced a target of doubling U.S. export in the next five years and appointed an advisory export council chaired by Jim McNerny, the CEO of Boeing. But it is highly doubtful whether this ambitious growth strategy will be successful. The current U.S. unemployment problem is unlikely to be solved by conducting manufacturing and exporting campaign.

The United States is the largest outward investor and its companies have been largely globalized and re-localized. According to the Chamber of Commerce, in 2008, the revenues of U.S.-own foreign affiliates were about \$5,000bn, almost three times the value of U.S. exports of goods and services.⁴⁶ In the current world economy, there are no means to call these companies back to provide labor-intensive jobs for Americans.

Indeed, the re-localization of American companies in the overseas requires a domestic manufacturing bases that could make high value added products through the use of more skillful and knowledgeable workers. The share of jobs in the U.S. economy that require a postsecondary education now reaches more than 60 percent, but this share was only 29 percent 35 years ago.⁴⁷ At the same time, the current situation is that U.S. manufacturers cannot recruit sufficient skilled and educated workers domestically in spite of high unemployment rate. Both Boeing and Microsoft need to “import” workers from China, India and other countries every year. The demand and supply of U.S. labor market is in

⁴² U.S. Census Bureau database.

⁴³ Nicholas Eberstadt, “The Demographic Future: What Population Growth-and Decline-Means for the Global Economy,” *Foreign Affairs*, November/December 2010, p.59.

⁴⁴ Ibid.

⁴⁵ U.N., *World Population Prospects*.

⁴⁶ “Riveting prospects,” *Financial Times*, January 7, 2011.

⁴⁷ Arne Duncan, “Back to School: Enhancing U.S. Education and Competitiveness,” *Foreign Affairs*, November/December 2010, p.67.

mismatch.⁴⁸

Second, the globalization of American companies and enterprises needs more sophisticated, efficient headquarters which only take talented elites.

The huge foreign investment of American companies established global business networks connecting its American headquarters and global branches. To keep the network operate normally requires the headquarters in America to have strong global coordination power, global research and development power and global supervision power. It creates jobs but only for the business management talents who can think and implement global strategy; the R & D talents who can design and develop globally advanced technology and product; and the legal and accountant talents who can find problems and solve disputes. Like skilled workers, American headquarters could not mobilize enough these high-end talents domestically.

Therefore, American employment problem is not from the shortage of position but shortage of knowledge and skill. This reflects that the quality of U.S. workforce has not caught up with the pace of U.S. economic globalization. The fundamental reason for that is American unbalanced education.

At the first glance, the American education is undoubtedly the top in the world. The Ivy League universities have long been the symbol of great world-class higher education institutions. American university faculties win much more Nobel Prizes than others. For example, Massachusetts Institute of Technology alone owns 73 present and former Nobel Laureates (including 7 current faculty members).⁴⁹ This number is almost four times Japan's total (18 by 2010).⁵⁰ *The Times Higher Education's 2009* lists 6 American universities in the global top ten universities. Shanghai Jiao Tong University places 17 U.S. universities among the top twenty.⁵¹ However, the world-class research universities are only one side of the whole picture American higher education. According to the Center on Education and the Workforce, the U.S. economy will need about 22 million more college-educated workers, but it will be at least a shortage of three million at the current graduation rates.⁵² Currently, only about 60 percent of students of four-year bachelor's programs graduate within six years, and

⁴⁸ Ibid.

⁴⁹ Massachusetts Institute of Technology, *University Family Guide 2010* (Cambridge: MIT Parent Association, 2010), p.28.

⁵⁰ <<http://www.koho2.mext.go.jp/132/ebook/index.html?highlightwords=%E6%96%87%E9%83%A8#page=7>>, accessed on January 16, 2011.

⁵¹ Joseph S. Nye, Jr., "The Future of American Power: Dominance and Decline in Perspective," *Foreign Affairs*, November/December 2010, p.7.

⁵² Arne Duncan, "Back to School: Enhancing U.S. Education and Competitiveness," *Foreign Affairs*, November/December 2010, p.69.

only about 20 percent of students in two-year community colleges graduate within three years.⁵³

The more serious concern comes from the low-performance of American primary and secondary education (the K12 education) . The first Programme for International Student Assessment (PISA) test conducted by the OECD in 2001, the U.S. high school students were shown far behind many of other member countries.⁵⁴ In the PISA test 2006, 15-year-olds of the U.S. ranked 21st among the 30 OECD countries in the field of science.⁵⁵ The results interestingly showed that U.S. had an average level of top performers but a large proportion of low performers.⁵⁶ This is parallel with the situation of the current labor market in the United States.

Conclusions

In terms of power resources, the United States is neither in absolute decline nor in relative decline. The United States is likely to remain “the single most powerful actor”⁵⁷ in the foreseeable future. But measured by the power outcomes, American power has “declined” mainly because its “global dominance” intention made it over-burdened. The “decline” of US power is less about the rapid decay of US material power resources and more about the catch-up of the other key states; less about reality reflection and more about American psychological uneasiness; and less about American leadership disappearing and more about global dominance waning. The problem is that the United States used the mechanism bolstering American power by highly unbalanced military efforts after the Cold War and last decade in particular. If the United States shifts to more focus on the global institution maintenance, improvement, and innovation, it can continue borrowing power not only from its security allies but emerging powers who are seeking to join these institutions initiated by the United States.

⁵³ Ibid.

⁵⁴ Ben Wildavsky, *The Great Brain Race: How Global Universities Are Shaping the World* (Princeton, New Jersey, Princeton University Press, 2010), p.138.

⁵⁵ OECD, *PISA 2006: Science Competencies for Tomorrow's World- OECD Briefing Note for the U.S.*, <<http://www.oecd.org/dataoecd/16/28/39722597.pdf>>, accessed on January 18, 2011.

⁵⁶ Ibid.

⁵⁷ National Intelligence Council, National Intelligence Council, *Global Trends 2025: A Transformed World*, November 2008, See the Executive Summary. <http://www.dni.gov/nic/PDF_2025/2025_Global_Trends_Final_Report.pdf>, accessed on January 18, 2011.

Debating the Decline of U.S. Power

The more serious concern about the future of American power lies in the huge gap between the domestic super elites and the growing mass of less well-educated workers. The fundamental cause is the education polarization in the United States. A growing sector of less well-educated population means that Americans will find it increasingly difficult to find decent positions in a knowledge economy and have less upward mobility. This in turn might translate into more conservative and hostile attitudes toward immigration and social instability. It may logically discourage the inflow of talents and blow the “American dream”. All of these factors portend less economic competitiveness and, finally, power resources decline, first in economy, later in military, and in soft power throughout. Certainly, American power will have decent reasons to remain and be recognized by the rest of the world in the future if these challenges can be solved decisively and timely.