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THE U.S.—DECLINE OR RENEWAL?

In 1988 the United States reached the zenith of its fifth wave of declinism since the 1950s. The roots of this phenomenon lie in the political economy literature of the early 1980s that analyzed the fading American hegemony and attempted to identify the consequences of its disappearance. These themes were picked up in more popular and policy-oriented writings, and the combination of the budget and trade deficits plus the October 1987 stock market crash produced the environment for the spectacular success of Paul Kennedy’s scholarly historical analysis in early 1988. Decline has been on everyone’s mind, and the arguments of the declinists have stimulated lively public debate.

Although predominantly of a liberal-leftist hue, declinist writings reflect varying political philosophies and make many different claims. In general, however, they offer three core propositions.

First, the United States is declining economically compared to other market economy countries, most notably Japan but also Europe and the newly industrializing countries. The declinists focus on economic performance and on scientific, technological and educational factors presumably related to economic performance.

Second, economic power is the central element of a nation’s strength, and hence a decline in economic power eventually affects the other dimensions of national power.

Third, the relative economic decline of the United States is caused primarily by its spending too much for military purposes, which in turn is the result, in Kennedy’s phrase, of “imperial overstretch,” of attempting to maintain commitments abroad that the country can no longer afford. In this respect, the problems the United States confronts are similar to those of previous imperial or hegemonic powers such as Britain, France and Spain.

Declinist literature sets forth images of a nation winding down economically, living beyond its means, losing its competitive edge to more dynamic peoples, sagging under the burdens of empire, and suffering from a variety of intensifying social, economic and political ills. It follows that American leadership must recognize and acquiesce in these conditions and accept the “need to manage” affairs so that the relative erosion of the United States’ position takes place slowly and smoothly, and is not accelerated by policies which bring merely short-term advantage but longer-term disadvantage.

Before one accepts the policy conclusions of the declinists, however, their basic propositions should be critically examined. Does their argument hold water? Is the United States fundamentally a nation in decline? Or is it a nation in the midst of renewal?

The declinists point to many urgent if transitory American problems and other serious if long-standing American weaknesses. Overall, however, their argument fails; it is seriously weak on both the extent and causes of decline. The image of renewal is far closer to the American truth than the image of decadence purveyed by the declinists.

With some exceptions, declinist writings do not elaborate testable propositions involving independent and dependent variables. With a rather broad brush, they tend to paint an impressionistic picture of economic decline, mixing references to economic trends and performance (economic growth, productivity), educational data (test scores, length of school year), fiscal matters (deficits), science and technology (R&D expenditures, output of engineers), international trade and capital flows, savings and investment, and other matters. In general, however, they point to three bodies of evidence to support their argument for decline:

1. Apart from the more academic international political economy literature, declinist works that have been widely discussed in policy debates and the general media include: Walter Russell Mead, Mortal Splendor, Boston: Houghton Mifflin, 1987; David P. Calleo, Beyond American Hegemony, New York: Basic Books, 1987; and, of course, Paul Kennedy, The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000, New York: Random House, 1987. In discussing declinist ideas, I will rely primarily on Kennedy’s writings and statements, since they have had the greatest impact on public debate in the United States.

—first, mounting U.S. trade and fiscal deficits which, to date, the U.S. political system has shown no signs of being able to correct;
—second, continuing and even accelerating declines in U.S. shares of global economic power and in U.S. rates of growth in key areas of economic performance;
—third, sustained systemic weaknesses, including research and development practices, primary and secondary education, production of scientists and engineers, and most seriously, savings and investment patterns.
Each body of evidence requires separate examination.

Deficits. Escalating current account and budgetary deficits have been the most important changes affecting the U.S. position in the world in the 1980s. They furnish dramatic immediacy to the declinist argument. In a few short years the United States was transformed from the principal creditor nation in the world to its largest debtor. The current account balance, which had a surplus of $6.9 billion in 1981 and a small deficit of $8.7 billion in 1982, plunged to deficits of almost $140 billion in 1986 and about $160 billion in 1987. In 1981 the United States had a net credit in its international investment position of $141 billion; by 1987 it was a net debtor to the tune of $400 billion. Assets in the United States owned by foreigners roughly doubled between 1982 and 1986 to $1.3 trillion.

Coincidental with this growth of U.S. international deficits and a major cause of them was the burgeoning of the U.S. budget deficit. The annual deficit had fluctuated in the vicinity of $50 billion to $75 billion in the Ford and Carter Administrations. In 1982 it began to increase rapidly, reaching a peak of $221 billion in FY 1986. It dropped back to $150 billion in FY 1987 and was modestly higher at about $155 billion in FY 1988.

Declinists see these deficits as evidence of fundamental weaknesses in the American economic position. They correctly point out that the massive influx of foreign funds has largely gone not for investment but for private consumption and governmental spending for defense. Such borrowing will not generate revenues with which it can be liquidated. The United States is living in a style it cannot afford and is imbued with an "eat, drink and be merry" psychology. Ominous precedents are called to mind. Peter G. Peterson argues:

To find the proper historical parallel for the United States in the 1980s... we must look to those rare historical occasions when an economy's large size, its world-class currency, and its open capital markets have allowed it to borrow immense sums primarily for the purpose of consumption and without regard to productive return. The illustrations of lumbering, deficit-hobbled, low-growth economies that come most easily to mind are Spain's in the late sixteenth century, France's in the 1780s, and Britain's in the 1920s.5

In similar fashion, Paul Kennedy warns that "the only other example which comes to mind of a Great Power so increasing its indebtedness in peacetime is France in the 1780s, where the fiscal crisis contributed to the domestic political crisis."

Several points must be made to disentangle the valid from the invalid elements of these declinist arguments.

First, trade and budget deficits were not a major problem before 1982. They then mushroomed. This development may in some small measure flow from underlying weaknesses in productivity, savings and investment, but it cannot primarily result from such causes. If the deficits did come from these causes, they would have developed slowly rather than rapidly and very probably would have manifested themselves before the advent of the Reagan Administration. Instead, the deficits are overwhelmingly the result of the economic policies of the Reagan Administration: reduction in tax rates, expansion of defense spending, a strong dollar. These policies were premised on the assumption that domestic governmental spending could be curtailed and that lower tax rates would stimulate investment, growth and revenues. These assumptions did not prove to be valid, and the policies that were based on them produced the surging deficits. A different administration with different fiscal and economic policies would have produced different results. The deficits stem from the weaknesses, not of the American economy, but of Reagan economics. Produced quickly by one set of policies, they can be reversed almost as quickly by another set of policies.

Second, that reversal has begun and is likely to intensify. The reversal results partly from changes in policy by the Reagan Administration, partly from policies adopted by other governments and partly from the workings of the international economy, which naturally generates equilibrating tendencies.

5 Peter G. Peterson, "The Morning After," The Atlantic, October 1987, p. 49.

Kennedy, op. cit., p. 597.
President Bush will probably move to reinforce U.S. policies designed to reduce the deficits. Through tight controls on spending, promotion of economic growth, "revenue enhancements" and, at some point, new taxes (luxury taxes, gasoline taxes and a general value-added tax are most frequently mentioned), the budget deficit is likely to be brought down to a sustainable level at which it does not pose a threat to long-term economic growth. As it is, the deficit in 1988 is only about half of what it was in 1983 as a percent of gross national product (3.1 percent versus 6.3 percent).

The trade deficit began to decrease with the rapid expansion of American exports in 1988. Its further reduction will be facilitated by budget deficit reduction, increases in manufacturing productivity (which rose significantly in the 1980s), ceilings on the exchange rate of the dollar and pressure which the U.S. government will—and must—apply under the new trade law to open up foreign markets. Cutting the trade deficit will be further enhanced, of course, to the extent that oil prices do not increase, American wage levels remain below those of the principal U.S. competitors, the developing countries' debt problem is contained and foreign economies grow at healthy rates. The trade deficit, some analysts predict, will become a trade surplus in the coming decade.3

Third, both the deficits and the processes of curing them impose significant costs on the American economy. The substantial increase—absolute and net—in American foreign indebtedness means that a larger portion of U.S. GNP will be paid to foreigners in debt service. These funds will not be available for either personal consumption or savings and domestic investment. The future American standard of living will be less than it would have been otherwise.

The declinists are absolutely right to highlight this development as the principal long-term effect of the Reagan spending spree. Correction of the trade balance will impose costs not only on the United States but also on those other countries that have become "addicted" to the U.S. market. Some of these costs are already visible in Japan, which is struggling to de-emphasize exports (39 percent of which went to the United


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States in 1987) and stimulate internal demand. In addition, reduction of the trade deficit might conceivably require a recession in the United States, which in turn would at least temporarily exacerbate the budget deficit.

In the coming years both deficits will probably be reduced to sustainable and nonmalign proportions. Their effects, however, will be around for some while to come. But it is a mistake to view them as open sores that will continue to bleed away American strength. They are wounds that will heal, although their scars will remain.

Declining Shares. This argument has been put most explicitly by Paul Kennedy. "The U.S.A.'s share of total GNP," he says, "of world manufacturing output, and of many other indices of national efficiency has steadily declined." The United States has suffered "relative industrial decline, as measured against world production, not only in older manufactures such as textiles, iron and steel, shipbuilding, and basic chemicals, but also—although it is far less easy to judge the final outcome of this level of industrial-technological combat—in global shares of robotics, aerospace, automobiles, machine tools, and computers." American agriculture has also declined. The decline in the U.S. share of world GNP was "natural" after 1945, but it "has declined much more quickly than it should have over the last few years" and the decline has become "precipitous."

These propositions need serious qualification. Various estimates exist of global and national gross products for various times. All have to be used with caution. Virtually all, however, show a common pattern.

The United States produced 40 to 45 percent of the gross world product in the late 1940s and early 1950s. That share declined rapidly, reaching the vicinity of 20 to 25 percent of gross world product by the late 1960s. That is roughly where it has remained.

It certainly has not declined more rapidly in the past two decades than it did during the previous two decades. Figures of the U.S. Council on Competitiveness (whose mission is to voice alarm about declining U.S. competitiveness) and from other sources show, for instance, that:

Kennedy, op. cit., p. 525; Kennedy, "Does America Need Perestroika?" New Perspectives Quarterly, Spring 1988, p. 6; and his written submission to the House of Representatives, Committee on Foreign Affairs, Defense and International Affairs Task Force, June 21, 1988, p. 2.
—between 1970 and 1987 the U.S. share of the gross world product varied between 22 and 25 percent and most recently was 23 percent;
—the U.S. share of world exports was 12 percent in 1970 and ten percent in 1987, and varied between nine and 14 percent in the years between;
—the U.S. share of the exports of the seven economic summit countries was 24 percent in 1970 and 23 percent in 1987, varying between 20 and 25 percent in the intervening years;
—in 1965 the United States accounted for 27.5 percent of world exports of technology-intensive products; this dropped to a low of 22.9 percent in 1980 and was back at 25.2 percent in 1984.7

Overall, the United States accounts for 22 to 25 percent of the major forms of global economic activity and has done so fairly consistently for twenty years or more. The declinists are clearly right in saying that this is much less than the U.S. shares according to the same indices during the decade after World War II. A situation in which one country accounted for up to 50 percent of the global economic action was clearly a temporary product of the war. The ending of that imbalance was a major and successful goal of U.S. policy. The shift from 40–45 percent of global economic activity to 20–25 percent had generally occurred by the late 1960s. It is an increasingly remote historical event. For about a quarter-century U.S. shares in global economic activity have fluctuated within a relatively narrow range.

During the 1980s U.S. economic performance improved markedly compared to that of other leading countries. Between 1965 and 1980 the United States ranked 15th out of 19 industrialized market economies in terms of economic growth; between 1980 and 1986 the United States ranked third out of 19. The most notable decline in gross domestic product growth rate was that of Japan: its average annual growth rate between 1980 and 1986 was 5.8 percent of what it had been between 1965 and 1980. In contrast, the U.S. average annual growth rate in 1980–86 was 110.7 percent of what it had been in 1965–80. During the past five years (1983–87) the U.S. and Japanese economies grew at almost the same rate, with the United States leading in three of these years. In all five years U.S. growth exceeded that of the European Community. The biggest economy has been getting bigger, absolutely and relatively. Declinist arguments that the United States has suffered precipitous decline in recent years and that the locus of economic production is shifting dramatically to Japan are simply not supported by the facts.

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Japan</th>
<th>European Community</th>
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<tr>
<td>1961–1965</td>
<td>4.6</td>
<td>12.4</td>
<td>4.9</td>
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<tr>
<td>1966–1970</td>
<td>3.0</td>
<td>11.0</td>
<td>4.6</td>
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<td>1971–1975</td>
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<td>4.3</td>
<td>2.9</td>
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<tr>
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<td>3.4</td>
<td>5.0</td>
<td>3.0</td>
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<tr>
<td>1981–1985</td>
<td>2.6</td>
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<tr>
<td>1986–1987</td>
<td>2.9</td>
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The decline in Japanese economic growth manifest in Table 1 was to be expected: no country will grow indefinitely at ten percent or more per year. As the Japanese economy has matured its growth rate has approximated that which may currently be considered normal for complex modern economies. In similar fashion, just as Japan has lost its edge in growth, so also has the United States lost its lead in productivity. In 1970 productivity in U.S. manufacturing was more than twice that of Japan. By 1986 the gap between the two had almost disappeared. There is little reason why the Japanese economy as a whole should grow much faster than the U.S. economy and there is little reason why an individual U.S. worker should be significantly more productive than a Japanese worker. On such indices of economic performance, one should expect long-term

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convergence among countries at similar levels of economic development and with economies of comparable complexity.

Convergence in economic performance reinforces stability in the distribution of economic activity. The argument can be made that the GNP pattern that has emerged in the past two decades is, in some sense, the historically "normal" pattern, roughly approximating the distribution that existed before World War II. The world of the 1970s was, as Thorold Masefield put it, "a world restored—with the U.S. still preeminent if not pre-dominant."9

Apart from the rapid growth of some developing countries, this pattern is unlikely to change drastically in the future. According to one estimate, for instance, the United States had 44.1 percent of the gross product of a total of 15 major countries in 1950, 31.6 percent of this total in 1980, and will have a projected 29.2 percent of the total in 2010. In that year, according to this estimate, the U.S. GNP of $7,859 billion (in 1986 dollars) will still be twice that of China ($3,791 billion), Japan ($3,714 billion) and the Soviet Union ($2,873 billion).10

In short, if "hegemony" means having 40 percent or more of world economic activity (a percentage Britain never remotely approximated during its hegemonic years), American hegemony disappeared long ago. If hegemony means producing 20 to 25 percent of the world product and twice as much as any other individual country, American hegemony looks quite secure.

Systemic Failures. A third set of phenomena cited by declinists consists of what might be termed systemic failures. These involve the sustained inability of America's society and its economy to function either at the levels of comparable societies or at levels presumed necessary to sustain the American role in the world. Since systemic characteristics have, by definition, been present for a long period of time, their contributions to American decline presumably stem from their cumulative impact. Among other deficiencies, declinists point to the poor quality of American primary and secondary education (manifested, for instance, in the low scores of American students in comparative tests of mathematics and reading skills), the small numbers of scientists and engineers produced in the United States (particularly compared to the high production of lawyers), and the complexity and inefficiency of American governmental policymaking processes. The most heavily emphasized systemic weakness, however, concerns low savings and investment rates.

Americans clearly save less than most other people. During the 1970s and 1980s U.S. gross savings as a proportion of GDP varied between 14.8 and 19.1 percent. During this period Japanese savings varied between 27.1 percent and 32.9 percent of GDP. In 1970 the Japanese savings rate was more than twice that of the United States (32.9 versus 16.1 percent); in 1987 it was almost twice the U.S. rate (28.2 versus 14.8 percent). Throughout these years U.S. savings lagged behind those of the other major industrialized democracies.

Similar differences existed in the relation of personal savings to disposable personal income. During the 1960s and 1970s the U.S. rate averaged about six percent; those of Germany and Japan averaged 14 percent and 20 percent respectively. In the 1980s the already low U.S. savings rate dropped even further, reaching 3.7 percent of disposable income in 1987. In 1987 net national savings were only 2.2 percent of GNP, compared to an average of eight percent between 1949 and 1981.

As one might expect, similar patterns across countries exist with respect to investment. Between 1965 and 1984 U.S. gross fixed capital formation varied between 17 percent and 19.8 percent of GNP. That for Japan varied between 27.8 percent and 35.5 percent of GNP. The OECD average, less the United States, varied between 21.6 and 26 percent.11 Other measures of investment yield comparable results: the U.S. rates tend to be slightly more than half those of Japan and perhaps 75 percent of those of the other major industrialized democracies.

The significance of these differences in savings and investment can be debated, and mitigating factors may explain and compensate for some low U.S. rates. In addition, the poor U.S. performance seems not to have noticeably affected U.S. economic growth as yet. Nonetheless, clearly the declinists are

right in highlighting savings and investment as long-term systemic weaknesses that require correction if economic growth is to be maintained.

Many, although not all, declinists go wrong, however, when they identify the reasons for poor U.S. performance. They argue that overexpenditure for military purposes crowds out investment for economic growth and hence leads to economic decline. Decline flows from imperialism and militarism.

This argument has little to support it, especially as applied to the United States. Kennedy's historical examples themselves suggest that the burden of empire usually becomes onerous when it amounts to ten percent or more of the society's product. Defense, however, takes only six to seven percent of American GNP. The declinists' thesis is clearly more relevant to the Soviet Union, which apparently (Soviet officials themselves claim they do not know for sure) spends 17 to 18 percent or more of its GNP for military purposes. Is this, however, a cause of Soviet decline? Its military sector is widely held to be the most technically efficient sector of the Soviet economy, and it is the only sector that is able to compete internationally. More generally, there is little comparative evidence to suggest that military expenditures are necessarily a drag on economic development. Some analysts, indeed, have argued that defense spending stimulates economic growth. One does not necessarily have to buy that argument in order to reject its opposite.

In fact, of course, how much a country invests is influenced by, but not determined by, how much it spends on defense. The Soviet Union spends close to three times as much of its GNP on defense as does the United States. It also invests more of its GNP than does the United States. This occurs at the expense of Soviet consumption. In theory, a country can allocate its resources as it wishes among consumption, defense and investment. In fact, countries make different choices, and the countries with the three largest economies in the world do exactly that. It is difficult to get comparable figures for the Soviet Union and market economy countries, and the portions of government spending which are in fact investment do not always show up in national accounts. Nonetheless, a rough prototypical allocation of GNP for the three largest economies might be as follows:

—U.S. consumption (private and public) at about 78 percent of its GNP, Japan's at 67 percent, and the Soviet Union's 56 percent;

—U.S. defense spending at about seven percent of its GNP, Japan's about one percent, and the Soviet Union's 18 percent;

—U.S. investment at roughly 17 percent of GNP, Japan's at about 30 percent of its GNP, and the Soviets' about 26 percent.

In short, the Soviets arm, the United States consumes, Japan invests.

At present, efforts are being made in each of these countries to alter these patterns. General Secretary Mikhail Gorbachev apparently is attempting to limit Soviet military spending in order to increase consumption and investment. Japan is expanding its defense effort and is beginning to attempt to increase consumption. In the United States it is widely recognized that defense cannot be allowed to rise and investment should be expanded at the expense of consumption. How successful any of these efforts will be remains open to question.

In some measure, allocations to investment, defense and consumption are a product of government policies and can be changed by changing those policies. Almost 75 percent of the U.S. federal government's revenues come from taxes on income, including interest on savings. By contrast, the Japanese government gets only 40 percent of its revenues from income taxes and until recently did not tax interest on 70 percent of Japanese personal savings. Changes in tax codes can affect the investment/consumption balance in both countries. Yet tax codes also reflect national values and culture. Much evidence exists that levels of arms expenditures have deep roots in national cultures, religion and history and do not necessarily reflect only external threats. Investment and consumption patterns are undoubtedly shaped by similar causes.

In any event, even if half the resources the United States uses for defense were shifted to investment, the American investment ratio would still lag behind the ratios of Japan and the Soviet Union. If the United States is to increase its investment ratio significantly, that increase will have to come primarily from the 75 percent or more of the GNP devoted to consumption, not from the less than seven percent committed to defense. If the United States falters economically, it will not be because U.S. soldiers, sailors and airmen stand guard on the Elbe, the Strait of Hormuz and the 38th parallel; it will be

because U.S. men, women and children overindulge themselves in the comforts of the good life. Consumerism, not militarism, is the threat to American strength. The declinists have it right; Montesquieu got it right: "Republics end with luxury; monarchies with poverty."  

III

The predominant view among declinists points to external expansion rather than internal stagnation as the principal cause of the decline of nations. This argument runs counter to a tradition of political thought going back to Plato and Aristotle which focuses on the internal ability of a society to renew itself. According to modern formulations of this view, a society declines when bureaucratic stagnation, monopoly, caste, hierarchy, social rigidity, organizational obesity, and arteriosclerosis make innovation and adaptation difficult or impossible. As societies age, these characteristics tend to become more predominant.

In his sophisticated theoretical analysis which departs from the declinist mainstream, Mancur Olson argues this point persuasively, explaining the decline of nations by the development of vested interests or "distributional coalitions" that reduce economic efficiency and constrain economic growth. Societies whose social, economic and political structures are substantially destroyed through war, revolution or other upheaval grow rapidly. Over time, however, distributional coalitions develop and economic dynamism wanes. Although Olson does not discuss it in his book, the prototypical contemporary case of an economy grinding to a halt because of the constrictions imposed by distributional coalitions, is, of course, the Soviet Union under Brezhnev.

Successful societies, in contrast, are those that find ways short of their own destruction to sustain the dynamism of their youth. The structure of such societies will presumably encourage competition, mobility, fluidity, pluralism, and openness—all qualities that prevent a society from becoming mired in a network of collusive deals, in which everyone benefits to everyone’s disadvantage.


Viewed from this perspective, the United States is less likely to decline than any other major country. It is distinguished by the openness of its economy, society and politics. Its engines of renewal are competition, mobility and immigration.

Competition and opposition to monopoly, both public and private, are hallmarks of American society. The United States led the way in the modern world in attempting to institutionalize antitrust and antimonopoly practices in business. Government bureaucracy in the United States is weaker and more divided against itself than bureaucracies in most other countries. State-owned enterprises are rare. New companies are created—and go bankrupt—on a scale unknown in European societies. Small, new companies have been responsible for the bulk of the twenty million new jobs created in the past decade.

Labor unions have never been strong and are declining. American universities, it has been argued, are the best in the world because of the intense competition among them for faculty, students and money. 15 Secondary education, it might be noted, is, in contrast, overwhelmingly a public monopoly and is inferior as a result; widely considered proposals for improving it are to introduce competition among schools for students and state support.

In comparison to other societies, individual mobility, both horizontal and vertical, is extremely high. Far more rapidly than elsewhere, American workers shift from job to job, up and down the income scale, and out of the poverty brackets. People move from region to region at about three times the rate they do in European countries. With the notable exception of race, ascptive obstacles to upward mobility have been relatively minimal compared to other societies.

The continuing flow of immigrants into American society reflects the opportunities it offers and contributes to its renewal. Historically, first- and second-generation immigrants have been a dynamic force in American society. Under the Immigration Act of 1965, about 600,000 legal immigrants enter the United States each year. Thousands more enter illegally. These newcomers renew the pools of cheap labor, entrepreneurial skill, intellectual talent and driving ambition to succeed. Thirty-six of the 114 American citizens who won Nobel prizes in science and medicine between 1945 and 1984

were born elsewhere. In the 1940s and 1950s American scientific and intellectual life was tremendously enriched by Jewish refugees from Hitler and the children of East European Jewish immigrants before World War II. Today Asian-Americans sweep the intellectual honors. (About two percent of the total population, they make up 14 percent of the 1988 freshman class at Harvard.) In the coming decades, immigration also means that the American population will continue to grow, unlike those of many European countries and will remain relatively young, unlike that of Japan.

IV

The ultimate test of a great power is its ability to renew its power. The competition, mobility and immigration characteristic of American society enable the United States to meet this test to a far greater extent than any other great power, past or present. They are the central sources of American strength. They are supplemented by three aspects of the American position in international affairs.

First, in comparison to other major countries, American strength is peculiarly multidimensional. Mao Zedong reported said that power grows out of the barrel of a gun; the declinists see power coming out of a belching smokestack. In fact, power comes in various forms and international influence can stem from very different sources. The Soviet Union, it has often been said, is a one-dimensional superpower, its international position resting almost exclusively on its military might. Whatever influence Saudi Arabia has in international affairs flows from its oil reserves. Japan’s influence has come first from its manufacturing performance and then from its control of financial resources.

Countries dependent upon a single source of power, however, are highly vulnerable to degradation of that particular type of power in which they specialize. OPEC’s power drops with falling oil prices; Japanese power is challenged by the rise of Taiwan, Korea, Singapore and Thailand; Soviet power is reduced by the Reagan defense buildup. In addition, countries dependent on a single source can exercise influence only in arenas where that type of power is relevant. The Soviet Union does not cut much of a figure in international finance and Japan does not sway the military balance in the Middle East. Countries can, of course, attempt to transform one type of power into another, and economic power is more fungible than others. There are, however, very real limits to the extent to which conversion is possible, and it can be a very costly process.

In contrast to other countries, the United States ranks extraordinarily high in almost all the major sources of national power: population size and education, natural resources, economic development, social cohesion, political stability, military strength, ideological appeal, diplomatic alliances, technological achievement. It is, consequently, able to sustain reverses in any one arena while maintaining its overall influence stemming from other sources. At present, no country can mount a multidimensional challenge to the United States, and with one conceivable exception no country seems likely to be able to do so in the relevant future.

Second, U.S. influence also flows from its structural position in world politics. The United States benefits from being geographically distant from most major areas of world conflict, from having a past relatively free of overseas imperialism, from espousing an economic and political philosophy that is anti-communist and, hence, less likely to be threatening to other peoples, from being involved in a historically uniquely diversified network of alliances and from having a sense stronger in the past than more recently of identification with universal international institutions.

These factors pull the United States into a leadership role in dealing with international problems and disputes. They help create a demand for the American presence overseas. Slogans of “U.S. go home!” may command headlines, but in many regions the underlying fear is that the United States might just do that. Neither Germans, French, Dutch nor (some say) the Soviets are eager for the United States to pull out of Europe. Many Filipinos act as if they wished the bases removed from their country, and some may actually want that to happen, but many others worry deeply that an American withdrawal from Southeast Asia would leave them to the tender mercies of the Soviets and the Japanese. Long before diplomatic relations existed between Washington and Beijing, China supported the American presence in Japan and Korea.

In similar fashion, the United States is called upon to play a leading role in the resolution of regional conflicts (Middle East, southern Africa), to balance and mediate between regional rivals (Greece, Turkey) and to assist other powers (Britain) or international institutions (the United Nations) in resolving other conflicts (Zimbabwe, Iran-Iraq). American involvement
in a region generally tends to stabilize the status quo and to protect weaker powers from the regional Leviathans. The exception to this pattern is the one region—Central America and the Caribbean—where the United States itself is the preponderant local power.

Finally, no alternative hegemonic power, with one possible exception, seems likely to emerge in the coming century. A short while ago, of course, it was widely thought that the Soviet Union would perform that role. Mr. Khrushchev talked confidently about the U.S.S.R. overtaking the United States economically and the grandchildren of Western capitalists playing under red flags.

These seem not just forlorn but bizarre hopes. The Soviet Union still has the resources, size and military strength of a superpower, but it has lost out economically, ideologically and diplomatically. Conceivably, the Gorbachev reforms could start a process that would put the Soviet Union back into competition to become the number-one actor on the world stage, but at moment the success of his efforts is in doubt and the impact of the reforms, if they are successful, will not necessarily enhance Soviet power.

Currently, the popular choice—and the choice of the declinists—for the country that will supersede the United States is, of course, Japan. "The American Century is over," a former U.S. official has said. "The big development in the latter part of the century is the emergence of Japan as a major superpower." With all due respect to Clyde Prestowitz, this proposition will not hold up. Japan has neither the size, natural resources, military strength, diplomatic allies nor, most important, the ideological appeal to be a twentieth-century superpower.

In a world of instant communication, widespread literacy and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an idea and social mobilization, a superpower has to stand for an 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westward across the Atlantic in the early twentieth century could move back eastward a hundred years later.

Current declinism is, as noted, the fifth such wave since the 1950s. The first occurred in 1957 and 1958 as a result of Soviet missile launches and the Sputnik. The Gaither Commission, advising the president, and other groups warned that the United States was falling seriously behind the Soviet Union in science, technology and future military capability. The Soviet Union was said to have a growth rate 50 percent higher than that of the United States, to be spending probably twice as much as the United States on armaments and to be well on its way to establishing an unchallengeable lead in missiles while U.S. strategic forces were increasingly vulnerable. The Soviets were producing many thousands of scientists and engineers while American education was lagging.

A second declinist surge came at the end of the 1960s. President Nixon and his national security adviser took the lead in announcing the end of the bipolar world. The United States and the Soviet Union were losing their primacy and a “pentagon of power” was coming into existence. These predictions were quickly supplemented by academic warnings that the military power in which the United States and the Soviet Union excelled was rapidly losing its usefulness and that economic power, the hallmark of Europe and Japan, would ensure the emergence of the latter as at least the equals of the two previous superpowers.

A third declinist scare followed immediately thereafter, triggered, of course, by the OPEC oil embargo of 1973 and the dramatic increase in oil prices. The West and increasingly the United States were highly dependent on Persian Gulf oil; whoever controlled oil controlled the economic life of the West and hence had the means to be the dominant influence, economically and politically, throughout the world. Saudi Arabia was seen as the new superpower as the huge flow of funds into Arab hands was recycled in U.S. bonds, factories and real estate.

In the latter 1970s the Soviet Union again became the focus of fear in a fourth declinist surge. The U.S. defeat in Vietnam, Watergate, the expansion of Soviet power in Angola, Mozambique, Yemen, Ethiopia, Nicaragua and eventually Afghanistan, and the continued development of Soviet nuclear forces that rendered U.S. strategic forces increasingly vulnerable, all generated the feeling that the Soviet Union was supplanting the United States as the world’s number-one power. Feelings of decline and malaise, reinforced by another oil price hike and inflation, generated the political currents that brought Ronald Reagan to power in 1981.

These earlier decline scares were triggered by Sputniks and missiles, pressure on the dollar, oil embargoes and price hikes, SS-18s and Angola. The fifth wave has been largely triggered by budget and trade deficits and the seeming competitive and financial threat from Japan. It thus bears certain resemblances to the second wave of the late 1960s and early 1970s, and familiar themes are repeated. In 1972 President Nixon predicted the emergence of “an even balance” among “a strong, healthy United States, Europe, Soviet Union, China, Japan.” In 1988 Professor Kennedy argues that we are “moving very swiftly” into a “multipolar world” with five centers of economic and military power: “the U.S., the Soviet Union, China, Japan and the EEC.”

It remains to be seen whether his prediction will be realized any more rapidly than President Nixon’s.

The declinist waves often, not always, come at the end of American administrations. There is a certain fin d’administration air to them which leads one to suspect that people want to believe in decline at that moment. In this respect, they may be better indications of American psychology than of American power. Indeed, many developments that might otherwise be interpreted as evidence of strength or progress are pointed to by declinists as symptoms of decline. Current declinists, for instance, make much of the disappearance of American manufacturing industry. Fifteen years earlier, however, a substantial group of social theorists, including Daniel Bell and Zbigniew Brzezinski, articulated a widely accepted thesis that the relative decline of manufacturing industry was a sign of progress from industrial to post-industrial or technocratic society, and the United States was leading the world in that direction. Decline, in short, may be in the eye of the beholder.

The prevention of decline, however, requires that it be there. In all its phases declinism has predicted the imminent shrinkage
of American power. In all its phases that prediction has become central to preventing that shrinkage. Declinism is a theory that has to be believed to be invalidated. Given the openness of its politics and the competitiveness of its economy, the United States is unlikely to decline so long as its public is periodically convinced that it is about to decline.

The declinists play an indispensable role in preventing what they are predicting. Contrary to Professor Kennedy, the more Americans worry about the health of their society, the healthier they are. The current wave will serve a useful historical function if it encourages the new president and Congress to take prompt and effective actions on the deficits and to inaugurate longer-term policies designed to promote saving and investment.

"If Sparta and Rome perished," asked Rousseau, "what State can hope to endure forever?" The obvious answer is "no state" and that may be the right answer. If, as the Chinese are not immortal, American preeminence is not inevitable. Yet, some states endure for extraordinary lengths of time, and little reason exists to assume that recent prophecies of American decline are more accurate than earlier ones. Every reason exists, however, to encourage belief in such prophecies in order to disprove them. Happily, the self-renewing genius of American politics does exactly that.

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Robert G. Kaiser

THE U.S.S.R. IN DECLINE

The news from the Soviet Union is enthralling—nothing so interesting or exciting as Mikhail Gorbachev's reforms has happened in Russia in modern times. The world is rightly transfixed by the spectacle of Russians telling the truth about their past and their present, encouraging private enterprise, urging a diminished role for the Communist Party and generally committing mayhem against Marxism-Leninism.

But there is a paradoxical aspect to perestroika that deserves more attention. The rhetoric of Soviet reform emphasizes renewal and progress, but the facts that made reform necessary describe failure—the failure of the Soviet system. For the foreseeable future, the fact of that failure is likely to be more important for the world than Gorbachev's efforts to overcome it.

That is because the failure is a fact, while the reforms—at least the practical ones affecting the economic life of the country—remain just a hope. It is likely to remain a forlorn hope for years to come.

The failure of the Soviet system—Joseph Stalin's system, which organized Soviet life for more than half a century—is a larger event than many have yet acknowledged. It signals more than the collapse of Stalin's dream of a centrally planned economic powerhouse that might someday dominate the world. We are also witnessing the beginning of the end of the Soviet empire. The fear of Soviet conquest and hegemony that dominated world politics for more than a generation should now dissipate. We have passed the high-water mark of Soviet power and influence in the world.

II

The crisis in the communist world has provoked radical changes from Beijing to Warsaw, and all of them contain a