

Graceful Decline

By [CHRISTOPHER LAYNE](#) • May 1, 2010

The United States emerged from World War II in a position of global dominance. From this unparalleled military and economic power came a Pax Americana that has endured for more than six decades. It seemed the sun would never set on the U.S. empire.

But America is increasingly unable to play the hegemon's assigned role. Militarily, a hegemon is responsible for stabilizing key regions and guarding the global commons. Economically, it offers public goods by opening its domestic market to other states, supplying liquidity for the world economy, and providing the reserve currency. A hegemon is supposed to solve international crises, not cause them. It is supposed to be the lender of last resort, not the biggest borrower. Faced with wars it cannot win or quit and an economy begging rescue, the United States no longer fits the part.

Still, many in the mainstream foreign-policy community see these as temporary setbacks and believe that U.S. primacy will endure for years to come. The American people are awakening to a new reality more quickly than the academy. According to a December 2009 Pew survey, 41 percent of the public believes that the U.S. plays a less important and powerful role as a world leader than it did a decade ago.

The epoch of American dominance is drawing to a close, and international politics is entering a period of transition: no longer unipolar but not yet fully multipolar. President Barack Obama's November 2009 trip to China provided both substantive and emblematic evidence of the shift. As the *Financial Times* observed, "Coming at a moment when Chinese prestige is growing and the U.S. is facing enormous difficulties, Mr. Obama's trip has symbolized the advent of a more multi-polar world where U.S. leadership has to co-exist with several rising powers, most notably China." In the same Pew study, 44 percent of Americans polled said that China was the leading economic power; just 27 percent chose the United States.

Much of America's decline can be attributed to its own self-defeating policies, but as the U.S. stumbles, others—notably China, India, and Russia—are rising. This shift in the global balance of power will dramatically affect international politics: the likelihood of intense great-power security competitions—and even war—will increase; the current era of globalization will end; and the post-1945 Pax Americana will be replaced by an international order that reflects the interests, values, and norms of emerging powers.

China's economy has been growing much more rapidly than the United States' over the last two decades and continues to do so, maintaining audacious 8 percent growth projections in the midst of a global recession. Leading economic forecasters predict that it will overtake the U.S. as the world's largest economy, measured by overall GDP, sometime around 2020. Already in 2008, China passed the U.S. as the world's leading manufacturing nation—a title the United States had enjoyed for over a century—and this year China will displace Japan as the world's second-largest economy. Everything we know about the trajectories of rising great powers tells us that China will use its increasing wealth to build formidable military power and that it will seek to become the dominant power in East Asia.

Optimists contend that once the U.S. recovers from what historian Niall Ferguson calls the "Great Depression"—not quite a depression but more than a recession—we'll be able to answer the Chinese challenge. The country, they remind us, faced a larger debt-GDP ratio after World War II yet embarked on an era of sustained growth. They forget that the postwar era was a golden age of U.S. industrial and financial dominance, trade surpluses, and persistent high growth rates. Those days are gone. The United States of 2010 and the world in which it lives are far different from those of 1945.

Weaknesses in the fundamentals of the American economy have been accumulating for more than three decades. In the 1980s, these problems were acutely diagnosed by a number of writers—notably David Calleo, Paul Kennedy, Robert Gilpin, Samuel Huntington, and James Chace—who predicted that these structural ills would ultimately erode the economic foundations of America's global preeminence. A spirited late-1980s debate was cut short, when, in quick succession, the Soviet Union collapsed, Japan's economic bubble burst, and the U.S. experienced an apparent economic revival during the Clinton administration. Now the delayed day of reckoning is fast approaching.

Even in the best case, the United States will emerge from the current crisis with fundamental handicaps. The Federal Reserve and Treasury have pumped massive amounts of dollars into circulation in hope of reviving the economy. Add to that the \$1 trillion-plus

budget deficits that the Congressional Budget Office (CBO) predicts the United States will incur for at least a decade. When the projected deficits are bundled with the persistent U.S. current-account deficit, the entitlements overhang (the unfunded future liabilities of Medicare and Social Security), and the cost of the ongoing wars in Iraq and Afghanistan, there is reason to worry about the United States' fiscal stability. As the CBO says, "Even if the recovery occurs as projected and the stimulus bill is allowed to expire, the country will face the highest debt/GDP ratio in 50 years and an increasingly unsustainable and urgent fiscal problem."

The dollar's vulnerability is the United States' geopolitical Achilles' heel. Its role as the international economy's reserve currency ensures American preeminence, and if it loses that status, hegemony will be literally unaffordable. As Cornell professor Jonathan Kirshner observes, the dollar's vulnerability "presents potentially significant and underappreciated restraints upon contemporary American political and military predominance."

Fears for the dollar's long-term health predated the current financial and economic crisis. The meltdown has amplified them and highlighted two new factors that bode ill for continuing reserve-currency status. First, the other big financial players in the international economy are either military rivals (China) or ambiguous allies (Europe) that have their own ambitions and no longer require U.S. protection from the Soviet threat. Second, the dollar faces an uncertain future because of concerns that its value will diminish over time. Indeed, China, which has holdings estimated at nearly \$2 trillion, is worried that America will leave it with huge piles of depreciated dollars. China's vote of no confidence is reflected in its recent calls to create a new reserve currency.

In coming years, the U.S. will be under increasing pressure to defend the dollar by preventing runaway inflation. This will require it to impose fiscal self-discipline through some combination of budget cuts, tax increases, and interest-rate hikes. Given that the last two options could choke off renewed growth, there is likely to be strong pressure to slash the federal budget.

But it will be almost impossible to make meaningful cuts in federal spending without deep reductions in defense expenditures. Discretionary non-defense domestic spending accounts for only about 20 percent of annual federal outlays. So the United States will face obvious "guns or butter" choices. As Kirshner puts it, the absolute size of U.S. defense expenditures are "more likely to be decisive in the future when the U.S. is under pressure to make real choices about taxes and spending. When borrowing becomes more difficult, and adjustment

more difficult to postpone, choices must be made between raising taxes, cutting non-defense spending, and cutting defense spending.” Faced with these hard decisions, Americans will find themselves afflicted with hegemony fatigue.

The United States will be compelled to overhaul its strategy dramatically, and rather than having this adjustment forced upon it suddenly by a major crisis, the U.S. should get ahead of the curve by shifting its position in a gradual, orderly fashion. A new American global posture would involve strategic retrenchment, burden-shifting, and abandonment of the so-called “global counterinsurgency” being waged in Afghanistan and Iraq.

As a first step, the U.S. will need to pull back from its current security commitments to NATO, Japan, and South Korea. This is not isolationism. The United States undertook the defense of these regions under conditions very different from those prevailing today. In the late 1940s, all were threatened by the Soviet Union—in the case of South Korea and Japan, by China as well—and were too weak to defend themselves. The U.S. did the right thing by extending its security umbrella and “drawing a line in the sand” to contain the Soviet Union. But these commitments were never intended to be permanent. They were meant as a temporary shield to enable Western Europe, Japan, and South Korea to build up their own economic and military strength and assume responsibility for defending themselves.

There are several explanations for why the U.S. did not follow through with this policy. Fundamentally, during the Pax Americana there was no need. As the U.S. declines, however, it will be compelled to return to its original intent. If we remember that an eventual pullback was the goal of U.S. policy, strategic retrenchment in the early 21st century looks less like a radical break than a fulfillment of strategic goals adopted in the late 1940s.

Burden-shifting—not burden-sharing—is the obvious corollary of strategic retrenchment. American policy should seek to compel our allies to assume responsibility for their own security and take the lead role in providing security in their regions. To implement this strategic devolution, the U.S. should disengage gradually from its current commitments in order to give an adequate transition period for its allies to step up to the plate. It should facilitate this transition by providing advanced weapons and military technology to friendly states in Europe and Asia.

With respect to Islamic terrorism, we need to keep our priorities straight. Terrorism is not the most pressing national-security threat facing the United States. Great powers can be defeated only by other great powers—not by nonstate terrorists or by minor powers. The

U.S. needs to be careful not to pay more attention to Islamic terrorists than to emerging great powers. Here the Obama administration and Defense Secretary Robert M. Gates are getting it wrong.

Although many in the U.S. foreign-policy community—especially the counterinsurgency lobby, based at the Center for a New American Security, and the American Enterprise Institute—call for the U.S. to “win” the war on terror, there can be no decisive victory over terrorism. The trick is finding the right strategy to minimize its effects on American security. The strategy of the Bush and Obama administrations—invading and occupying Iraq and Afghanistan—is exactly the wrong approach. The U.S. is bad at counterinsurgency. Foreign occupying powers seldom are good at it, which is the main reason big powers usually lose these kinds of small wars. The U.S. also is not good at nation-building. Rather than quelling terrorism, a long-term foreign military presence in places like Iraq and Afghanistan inflames nationalism and anti-Americanism.

The Nobel Prize-winning Columbia University economist Joseph Stiglitz and his co-author Linda Bilmes have estimated that the direct and indirect costs of the Iraq War will exceed \$3 trillion. No similar projection of the Afghanistan war’s costs exists. But the Obama administration’s fall 2009 internal debate about whether to increase troop levels in Afghanistan offered a preview of coming attractions. During these deliberations, some officials argued that the U.S. needed to limit its commitment because the cost of the war effort has serious budgetary implications. According to the *New York Times*, when presented with an OMB projection that showed existing troop deployments and nation-building expenses combined with the cost of sending an additional 40,000 troops to Afghanistan for a decade would total \$1 trillion, “the president seemed in sticker shock, watching his domestic agenda vanishing in front of him.”

That the United States needs a post-Pax Americana foreign policy should be obvious. But there is no guarantee that the U.S. will adjust to a transforming world. Even as the globe is being turned upside down by material factors, the foreign policies of individual states are shaped by the ideas leaders hold about their own nations’ identity and place in world politics. More than most, America’s foreign policy is the product of such ideas, and U.S. foreign-policy elites have constructed their own myths of empire to justify the United States’ hegemonic role. To move successfully to a post-Pax Americana foreign policy, Americans will need to move beyond these myths.

The foundational American myth of empire is exceptionalism, the belief, dating back to the

Puritans, that the U.S. is different, better, and morally superior to the rest of the world. Americans have always looked at the outside world suspiciously and viewed it as a source of contagion: war, imperialism, militarism, religious intolerance, non-democratic forms of governance, and latterly totalitarianism, genocide, and terrorism. All these bad things, we believe, come from “over there.”

We have long thought that we cannot live safely in a world of such imperfections and that it is therefore our national duty to cure these ills by using American power to construct a world order based on our values. U.S. foreign-policy elites have extrapolated from our national experience and concluded, as Edmund Stillman and William Pfaff wrote some 45 years ago, that the United States is a model for the world and “America’s wants and values are universal”—a point George W. Bush made repeatedly in justifying his policy of exporting democracy at the point of a bayonet. Americans believe that our political and economic systems provide “a prototypical solution for the world’s disorders.” If we could just give the rest of the world a makeover so it looked like the United States, all would be well.

These assumptions invest American foreign policy with a tendency to see the world in terms of good versus evil. And because the U.S. looks through this prism, it believes it has the obligation to prevail in this global struggle. America’s security and way of life are purportedly endangered by the existence of hostile ideologies anywhere in the world because peace and freedom are allegedly indivisible. Intervention is thus the United States’ default in foreign policy.

We attempt to tame the world by exporting democracy because—we are told—democracies do not fight each other. We export our model of free-market capitalism because—we are told—states that are economically interdependent do not fight each other. We work multilaterally through international institutions because—we are told—these promote cooperation and trust among states. None of these propositions is self-evident. Indeed, there is overwhelming evidence that they are wrong. But they are illusions that “express the deepest beliefs which Americans, as a nation, hold about the world.” So we cling to the idea that our hegemony is necessary for our own and everyone else’s security. The consequence has been to contribute to the very imperial overstretch that is accelerating the United States’ decline.

Because that U.S. enjoyed such vast superiority for such a long time, it had the luxury of acting on its delusions without paying too high a price. (That is, if you discount the 58,000 names on the Vietnam Memorial or the tens of thousands of U.S. military personnel who

have suffered disfiguring wounds or been killed in Iraq and Afghanistan.) But as my graduate school mentor, Kenneth Waltz, one of the towering figures in the study of international politics, used to tell us about American foreign policy, “When you are big, strong, and powerful, you can afford to make the same dumb mistakes over and over again. But when your power declines, you begin to pay a price for repeating your mistakes.”

U.S. decline means that in the 21st century, the United States will pay a high price if it endlessly repeats its mistakes. To change our foreign policy—to come to grips with the end of the Pax Americana—we first need to change the way we see the world.

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