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# The Rise or Fall of the American Empire

Tackling the great decline debate.

BY DANIEL W. DREZNER, GIDEON RACHMAN, ROBERT KAGAN | FEBRUARY 14, 2012



**Dan Drezner:**

Dear Bob and Gideon,

It's an honor to be moderating this discussion between the two of you. You have both managed to author interesting and cogently argued books that are nevertheless at odds with each other on the future of world order. Gideon, you are of the belief that the Age of Anxiety is upon us, due in no small part to the waning of American power and the Western model of political economy more generally. Bob, you rebut arguments about American decline by pointing out the ways in which current commentators have wildly exaggerated American power in the past and the ways in which current U.S. power resources are still quite robust.

Where you both seem to agree is on the necessity of American power to ensure global order and prosperity. Gideon, you asserted in *Zero-Sum Future* that "a strong, successful, and confident America remains the **best hope** for a stable and prosperous world." Bob, in the **excerpt** of *The World America Made* that appeared in the *New Republic*, you conclude, "If American power declines, this world order will decline with it. It will be replaced by some other kind of order, reflecting the desires and the qualities of other world powers." On this

dimension, you two are kindred spirits and at odds with people like John Ikenberry, who argues in *Liberal Leviathan* that rising powers will embrace the liberal order created by the United States and its allies more than 60 years ago.

To get the ball rolling, let me start with a few queries for Gideon. Your book came out before the Arab Spring, the U.S. "pivot" to the Pacific Rim, the new and exciting phase of the euro crisis, and hints that China's growth is slowing down. Do any of these events prompt a rethink on your part? If not, do Bob's assertions of continued American primacy ease your anxiety at all? Finally, **according to FP**, *The World America Made* has found a very influential audience: Barack Obama is apparently a fan. To go Barbara Walters on you, if there were one world leader you'd want to have read *Zero-Sum World*, who would it be and why?

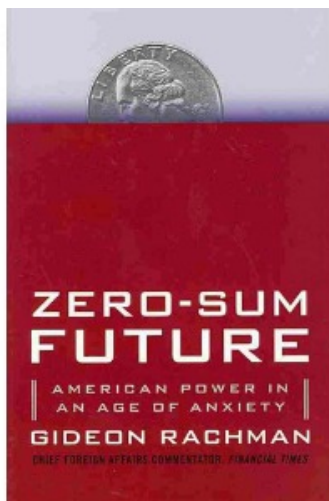
Cheers,  
Dan

**Gideon Rachman:**

Dear Dan,

You are right that Bob and I agree on the importance of American power for the stability and prosperity of the world. Where we differ is that I believe that we are witnessing a serious erosion of U.S. power. This is part of a broader phenomenon: A world dominated by the West is giving way to a new order in which economic and political power is much more contested.

You pose some excellent questions about how events since I completed the book, at the beginning of 2010, have affected my argument. Before I address them directly, I should briefly explain what I mean by an "Age of Anxiety."



My book argues that globalization was not just an economic phenomenon. It was also the central geopolitical development of the 30 years before the financial crisis. It created a web of common interests between the world's major powers, replacing the divided world of the Cold War with a single world order in which all the big powers were bound into a common capitalist system. If you had gone to Davos during this period, you would have found the leaders of the Chinese Communist Party, the European Union, and the United States saying very similar things about the need to encourage world trade, foreign investment, and so on. They shared important assumptions about how the world should be run.

I describe the period from 1991 to 2008 as an "Age of Optimism" because all the world's major powers had reason to be satisfied with the way the globalized world system was working for them. India's reforms began in 1991 and led to an economic boom and a palpable surge in national confidence. The European Union more than doubled in size by incorporating the old Soviet bloc. Latin America had its debt

crises, but by the end of the period, Brazil was being taken seriously as a global power for the first time in its history. For all their post-Soviet nostalgia, even the leaders of the new Russia were enthusiastic participants in a globalized world.

Most importantly, 1991-2008 was an Age of Optimism for both China and the United States. During this period, China's economy grew so rapidly that it was doubling in size every eight years or so. Chinese people could see their country and their families becoming visibly more prosperous. Still, the United States was the sole superpower. The growth of Silicon Valley and the rise of Google, Apple, et al. reaffirmed American confidence in the unique creative powers of U.S. capitalism. American political and economic ideas set the terms of the global debate. Indeed, the terms "globalization" and "Americanization" almost seemed synonymous.

This American confidence was very important to the world system. It allowed the United States to embrace a development that, in other circumstances, might have seemed threatening: the rise of China. In the Age of Optimism, successive U.S. presidents welcomed China's economic development. The argument they made was that capitalism would act as a Trojan horse, transforming the Chinese system from within. If China embraced economic freedom, political freedom would surely follow. But if China failed to embrace capitalism, it would fail economically.

In 2008, there was indeed a massive economic and financial crisis, but it came in the West, not in China. This unexpected development has accelerated a trend that was already in place: a shift in economic power from West to East and, within that, from the United States to China. Since then, it has become much harder to argue that globalization has created a win-win world. Instead, Americans are beginning to wonder, with good reason, whether a richer and more powerful China might mean a relatively poorer, relatively weaker United States. That is why I called my book *Zero-Sum Future*.

Now, I know that Bob disputes the idea that there has been a shift in economic power. He says the U.S. share of the world economy has stayed roughly steady at 25 percent. But that is not how I read the figures. The *Economist* (my old employer) now projects that China will be the world's largest economy, in real terms, by 2018. Writing in **Feb. 9's *Financial Times***, Jeffrey Sachs puts it well:

In 1980, the US share of world income (measured in purchasing power parity prices) was 24.6 per cent. In 2011, it was 19.1 per cent. The IMF projects that it will decline to 17.6 per cent as of 2016.

China, by contrast, was a mere 2.2 per cent of world income in 1980, rising to 14.4 per cent in 2011, and projected by the IMF to overtake the US by 2016, with 18 per cent.

If this isn't a world-altering shift, it's hard to imagine what would be.

I know battles of rival statistics can be mind-numbing, so let me just add that my experiences reporting around the world strongly re-enforce this impression of growing Chinese influence based on surging economic strength. In Brazil, I was told that President Dilma Rousseff was paying her first state visit to Beijing, not Washington,

because China -- her country's largest trading partner -- is now more important to Brazil. In Brussels, they talk hopefully of China, not America, writing a large check to alleviate the euro crisis. And, of course, China looms ever larger over the rest of Asia.

This shift in economic and political power has important implications for the world order. A weaker United States is less willing and able to play a leading role in sorting out the world's economic and political crises. There will be no Marshall Plan for Europe. There will not even be an American-led "committee to save the world" as there was during the Asian and Russian crises. And when it comes to the turmoil in the Middle East, the United States was more than happy to "lead from behind" on Libya. Meanwhile, the United States has pulled out of Iraq and is pulling back from Afghanistan. Don't get me wrong. I think it's perfectly sensible for Obama to try to reduce U.S. military commitments around the world, especially given the grim budgetary outlook. But we are unmistakably in a new era. No U.S. president can now say the country will **"bear any burden"** to secure its goals.

Let me now deal with the questions that you raise. The early stages of the euro crisis feature in my book. Its later stages further strengthen my argument. The European Union is a classic example of an organization built around a "win-win" economic logic. The idea of the EU's founding fathers was that economic cooperation and shared prosperity would create a positive political dynamic. And for 50 years it worked beautifully. But that win-win logic has gone into reverse. Instead of feeling stronger together, EU countries increasingly worry they are pulling each other down. The result is a surge in political tensions inside Europe and, in particular, an outbreak of anti-German sentiment. This has global implications; for one, America's pivot to Asia is posited on the idea that Europe will no longer require attention -- a premise I somehow doubt.

As for the U.S. pivot to Asia, I think it's a predictable and rational response to rising Chinese power. But I'm not sure it will work. America's allies in the region face an interesting dilemma. Japan, India, Australia, and South Korea have their most important trading relationship with China -- and their most important strategic relationship with the United States. Unless China grossly overplays its hand and terrifies its neighbors, over time those economic ties will weigh more heavily than the military relationship with the United States. As a result, China's influence in Asia will steadily increase -- at the expense of the United States.

All this, of course, is posited on the continuing growth of the Chinese economy. So what about those "hints that China's economic growth is slowing down"? I wouldn't be at all surprised. Indeed, I would go further and suggest that both the Chinese economy and the Chinese political system are unstable and crisis-prone. If a crisis hits, plenty of people in the United States and elsewhere will eagerly proclaim that the rise of China was a mirage. They will be wrong. This is a long-term process of huge historical significance, comparable with the rise of the United States in the 19th century. U.S. history should tell you that it is perfectly possible to combine political turmoil with the rise of a dynamic, continental economy. After all, America fought a civil war and still emerged as "No. 1" by the early 20th century.

Finally, you ask about the Arab Spring. It could point in two very different directions. If the Arab world successfully embraces democracy and economic freedom, that will reassert the hopeful narrative of the Age of

Optimism, in which democracy and economic freedom are spreading around the world and building an increasingly cooperative, liberal, international order (John Ikenberry's world, if you like). Over the very long term, I am still hopeful this is how the Arab Spring will pan out. Over the next decade, however, it seems to me more likely that the Arab Spring will play into the darker narrative of an Age of Anxiety, which is characterized by failed states, cross-border conflict, the rise of illiberal and anti-Western ideologies, and mass migration by displaced people.

As for my dream reader, I don't think I will be able to trump Obama. But if I'm honest, my book is stronger on description than prescription. The phrase "zero-sum future" is meant as a portrayal of a likely destination, rather than a recommendation. In fact, a willing embrace of zero-sum logic would be dangerous. The broad response I recommend involves concentrating on rebuilding U.S. domestic economic strength and attempting to defend the principles of a liberal world order, while hedging against the rise of authoritarian world powers. Broadly speaking I think that is the policy of the Obama administration.

So rather than nominating an ideal reader, let me finish by telling you about an actual reader. I recently met a European commissioner who is right at the center of the euro crisis. He told me he had read my book and found it interesting -- before adding, "My job is to prove you wrong." Given the gravity of the crisis facing Europe and the West, I hope he succeeds.

**Drezner:**

Dear Gideon and Bob,

Thanks for your response, Gideon!

To move the ball into Bob's court, a few queries. In his response, Gideon suggests your data on the persistence of American power are somewhat off. He's not the only one; Robert Pape made points like this a few years ago in the *National Interest*, and Edward Luce has made similar points this week in the *Financial Times*. Without going too far down the rabbit hole of data, alternative data series can probably be arranged that show a more secular U.S. decline since the 1960s. How crucial is this data question to your overall argument? More generally, what about going forward? Gideon's point about China is well-taken; even if it does suffer a growth slowdown, would that necessarily slow down its eventual rise? The United States suffered some serious depressions during the late 19th century and still became the world's leading industrial power.

Gideon's response highlights another brewing problem with American primacy: Even if the United States is not declining, its long-standing allies are in serious trouble. America's NATO allies are entangled in a sovereign debt crisis, and Japan has its own demographic issues. There are other allies, but as Gideon notes, they have become highly interdependent with China. There are rising states that might share American values -- Brazil and India, for instance -- but it's far from clear whether their alignments with the United States will be anything more than tactical. Without supporters, can the United States still lead?



Finally, we know Obama has read the *New Republic* **excerpt** of your book. Has Mitt Romney? I'm curious because a) you're a foreign-policy advisor for him, and b) the Republican presidential candidate's rhetoric on this point -- that Obama believes in American decline, while he believes this will be an American century -- seems at odds with Obama's embrace of your argument.

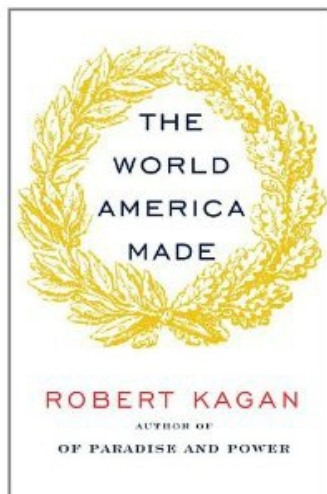
Cheers,

Dan

**Robert Kagan:**

Dear Dan and Gideon,

Many thanks to you both for this lively and important discussion. I'm glad Obama **mentioned** the excerpt from my book, not only for the obvious reasons, but also because he has kicked off a genuinely useful debate about the relative position of the United States and other powers in the international system. We seem to have slipped into a "post-American world" a couple of years ago without much rigorous analysis of whether that was really a good description of the international system. I believe it is not.



First, those GDP figures. My argument that the U.S. share has held fairly steady with roughly a quarter of world GDP since 1969 rests on the U.S. government's figures, which can be found **here**.

Anyone who takes the trouble to look into this question quickly discovers that, of course, the numbers are a bit all over the place. The IMF's own numbers are constantly changing, even in regard to the past. For instance, as I wrote in response to Luce and Sachs, according to the IMF's 2010 World Economic Outlook report, the U.S. share of world GDP based on purchasing power parity in 1980 was 22.499 percent. In 2007, the last year before the Great Recession, the U.S. share was 21.289 -- not much of

a shift. In its 2011 report, however, the IMF put the share in 1980 at 24.6, making the shift seem greater. Which is right? As for the IMF's projections, can we wait and see how they turn out before building an entire global theory around them? They are constantly revising those up and down, too, and things may look different when the United States pulls out of its recession.

But how much weight should we put on this statistic in any case? Some, surely. There is no question that as China's share of the global economy grows, Chinese influence will grow in some respects as well. But I find it remarkable that in so many of these discussions, those who point to China's growing GDP share neglect to mention that China's per capita GDP is a fraction of that of the United States and other leading economic powers. Per capita GDP in the United States is over \$40,000; in China it is a little over \$4,000, roughly the same level as in Angola and Belize. Even if optimistic forecasts are correct, by 2030 China's per capita GDP will still be only half that of the United States, roughly where Slovenia's is today. It is interesting to contemplate what this might

mean if China were to become economically dominant, because it is historically unprecedented; in the past, the world's dominant powers have also been the world's richest.

As a matter of geopolitics and power, the size of a country's economy by itself is not a great measure. If it were, then China would have been the world's strongest power in 1800, when it had the largest share of global GDP. So the next question is whether China can translate its economic power into geopolitical influence. Again, it will undoubtedly do so to some extent. But power and influence do not stem from economic strength alone, and China is already the best proof of this. Over the past couple of years, as the U.S. economy has been slumping and China's has been booming, the United States has significantly improved its standing in East Asia and Southeast Asia, while China's position has deteriorated. In fact, the more China uses its newfound muscle, the more it sparks a reaction in the region, which then looks to the United States for succor. (This was the key insight of William Wohlforth years ago in his brilliant essay, "**The Stability of a Unipolar World.**") Gideon keeps predicting that Japan is about to tilt toward China, but all signs point in the opposite direction -- and not only for Japan but also for most of China's other neighbors. The fact that China is the top trading partner of all these countries does not necessarily increase China's clout. I gather that even Brazilians are increasingly unhappy at becoming merely a raw materials provider to the Chinese. No economy in the world is more dependent on China than Australia's, but look at the new U.S. base the Australians just welcomed onto their soil. Trade does not necessarily breed comity or strategic dependence. As many have pointed out, in 1914 Germany and Britain were each other's largest trading partners too.

China, in fact, has significant obstacles to overcome before it can become a global power on a par with the United States -- above all, the fears and suspicions of neighbors who are themselves pretty powerful and, in the case of India, rising almost as fast as China. It is a cliché, but the United States really was blessed with a favorable geographic situation. It has no great powers in its hemisphere and faces no direct threat from any of its neighbors. China is surrounded by past and future adversaries. Even the Soviet Union was in better shape during the Cold War.

This in part answers Dan's question about the state of America's allies. That India and Brazil may not move in lock step with the United States is not all that important. U.S. influence does not derive from being able to tell everyone what to do all the time; it never could, even in Europe at the height of the Cold War. Rather, it is the overall balance of influence in the world that helps determine America's position. In a future where the United States and China are likely to be competitors, a powerful India strengthens the American hand no matter how friendly New Delhi and Washington may be.

As to Europe, let's take a broader perspective, please. Compared with the devastated Europe that the United States inherited as an ally in 1945, today's Europe, even with its economic crisis, is a mega-superpower and a very fine ally to have, indeed.

**Rachman:**

Dear Bob,

I agree with you on one important point. Political power and economic weight are different things. That is why -- even if China becomes the world's largest economy around 2018 -- the United States will continue to be the world's dominant political power for a while. America's network of alliances, military strength, technological prowess, "soft power," political stability, and geographic position are all assets China lacks.

That said, even though political power and economic size are not the same thing, they surely are closely related. So as China becomes wealthier, its geopolitical power grows and becomes much more of a challenge to America's. China's growing wealth gives it more money to spend on assets abroad, foreign aid, and its military. Above all, the lure of Chinese investment and the Chinese market become a powerful tool to shape the behavior of other countries. You can see this with Europe right now. China's ability to supply credit and juicy contracts is making Europeans significantly less willing to confront China, whether on human rights or the environment.

That is why I find your point about GDP per capita less than reassuring. Yes, it is true that the average American will be richer than the average Chinese for decades to come -- perhaps forever. But Luxembourg's GDP per capita is already considerably higher than that of both China and the United States. This does not matter geopolitically because there are so few people in Luxembourg.

To a great extent, this is about simple arithmetic. Japan was never going to be "No. 1" because its population is less than half that of the United States. China is almost certain to be No. 1 in economic terms because its population is four times that of the United States. You are right that the relative poverty of the average Chinese citizen will make China an unfamiliar sort of superpower -- simultaneously richer and poorer than us. This could make China relatively introverted, or it could make it more aggressive as it seeks resources to fuel its rise and satisfy the aspirations of its population. For me, the biggest question mark over China's rise is whether the coming of democracy (if it arrives) will provoke the country's breakup, especially as separatist movements gain momentum in Tibet and Xinjiang. But even though these areas represent a big chunk of Chinese territory, they account for only about 2 percent of the population.

Furthermore, it is not just China that faces troubling questions. You are right to point out America's enduring strengths. But the rapid growth of the U.S. national debt raises the prospect of a really nasty fiscal crunch. When it comes to sovereign debt, we in Europe have just discovered the truth of that old economists' joke that "things that can't go on forever, don't." The United States cannot continue running up debts at its current rate. And even a controlled, rational effort to manage the debt will have serious implications for U.S. spending -- and deployable power.

I agree that the balance of power between the United States and China will depend to a huge extent on the choices made by other countries. You are right that I was probably overimpressed by the Japanese tilt to China under Prime Minister Yukio Hatoyama. That proved to be transient. Nonetheless, it was an interesting episode because it underlined a central point about the emerging world order. As China grows more powerful, the United States cannot assume that traditional allies or fellow democracies will cleave to America. In the last U.S. presidential election, the candidates did a lot to promote the idea of a "league of democracies." But in the



intervening four years, we have seen that democracies do not always stick together. At the climate change talks in Copenhagen, Brazil, India, and South Africa were on China's side, not America's -- their identity as developing countries trumped their identity as democracies. The same countries condemned the recent NATO-led intervention in Libya as it developed into a real military campaign. Their suspicion of Western intentions trumped their support for human rights.

In the battle for hearts and minds around the world, America's identity as the world's leading democracy will be a big asset. But China's ability to capitalize on widespread resentment of centuries of Western domination should not be underestimated.

America is still way ahead when it comes to hard military power. But I think it is unlikely that China and America will ever go to war. It is economic strength -- not military power or "soft" power -- that will matter most in the contest between the United States and China. And the moment when China pulls ahead of America in economic terms is, I'm afraid, approaching rapidly.

**Kagan:**

Dear Gideon,

I'm afraid we have landed on a wide swath of common ground. We both agree that the United States will remain the predominant global power and enjoys distinct advantages over China "for a while." We both agree, as well, that China may present a formidable challenge in the years to come, one that may tax American capabilities and American wisdom. The United States faces serious problems at home -- not least the enormous fiscal deficits driven by entitlements -- that erode its ability to continue playing its vital role in the world. We are already seeing the effects on the defense budget, which, despite the fact that defense cuts will make scarcely a dent in the deficit, is being sacrificed to political expediency. Those who doubt the effects of these cuts need only look to Asia. The administration has announced a strategic "pivot," but whether it will be able to make good on its renewed pledge to provide security to those feeling threatened by China remains to be seen.

The main point of my book, in fact, is to examine what might happen in the world should the United States prove incapable of continuing as the predominant power and slip into a rough equality with other powers, like China. I'm afraid it is optimistic to believe that China will pose only an economic challenge to the United States under those circumstances. The effects of a new multipolar world will be far-reaching. I sometimes think we have forgotten how countries behave as their power increases. We have been living so long in a world where one power has been so much more powerful than all the others. The existence of the American hegemon has forced all other powers to exercise unusual restraint, curb normal ambitions, and avoid actions that might lead to the formation of a U.S.-led coalition of the kind that defeated Germany twice, Japan once, and the Soviet Union, more peacefully, in the Cold War.

The Chinese, as good historians, are acutely aware of the fate that befell these others and have worked hard to avoid a similar fate, following as best they can Deng Xiaoping's advice to "keep a low profile and never take the

lead." As relative power shifts, however, that advice becomes harder and harder to follow. We saw some early signs of what the future might hold in China's increasing assertiveness in the South China Sea. The response of the United States, which swung in behind the nervous powers in the region, has possibly convinced the Chinese that their moves were premature. They may have themselves bought in too much to the widespread talk of America in decline. Were that decline to become real in the coming years, however, it is a certainty that Chinese pressures and probes will return. Greater relative power on China's part might also lead Beijing to become less patient with Taiwan's lack of movement toward acquiescing to the mainland's sovereignty. A situation in which U.S. power were declining, China's power were rising, and the Taiwan issue became fractious is practically a textbook instance of how wars start -- even if neither side wants war. That is why some have referred to Taiwan as East Asia's Sarajevo.

If our only problem were that China was going to become more influential in the economic realm, while the United States retained dominance in all other realms, this might be manageable. I don't mind if the Chinese buy Rockefeller Center. I hope they get as good a deal as the Japanese did in 1989. The danger is that the United States may decline relative to China on all measures of power. That would spell the end of the international order the United States has supported and benefited from since the end of World War II.

I remain optimistic, however, that the United States will address its problems, as it has in the past, and that China will discover bumps in the road ahead, as *it* has in the past. In the meantime, it is important that the United States work to preserve its leading position in the world and not succumb to a declinism that becomes a self-fulfilling prophecy.

### **Drezner:**

Dear Gideon and Bob,

Thanks for your responses. I hereby declare myself to be a uniter rather than a divider when it comes to moderating exchanges, thereby guaranteeing that The Powers That Be at **FP** will never ask me to do anything like this ever again.

If we step back, debates like these often tend to revolve around what the known unknowns are, and for Western commentators, what's unknown is China and its neighbors, rather than the United States. The international relations theorist in me also sees some irreducible questions about the future. Will a China that possesses a huge market size but is comparatively poorer per capita care more about absolute gains or relative gains vis-à-vis the United States? Will China's close and distant neighbors balance against a rising power or be trapped by interdependence into a more accommodating posture? What lessons will China draw from the aftermath of its more bellicose foreign policy turn in 2009 and 2010?

I look forward to hearing your answers to these questions in the ensuing years.

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*Gideon Rachman is chief foreign-affairs commentator for the Financial Times and author of **Zero-Sum Future: American Power in an Age of Anxiety**.*

*Robert Kagan is senior fellow at the Brookings Institution and the author of **The World America Made**.*

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