

FOREIGN AFFAIRS

NOVEMBER/DECEMBER 2010



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Volume 89 • Number 6

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The Future of American Power

Dominance and Decline in Perspective

Joseph S. Nye, Jr.

The twenty-first century began with a very unequal distribution of power resources. With five percent of the world's population, the United States accounted for about a quarter of the world's economic output, was responsible for nearly half of global military expenditures, and had the most extensive cultural and educational soft-power resources. All this is still true, but the future of U.S. power is hotly debated. Many observers have interpreted the 2008 global financial crisis as the beginning of American decline. The National Intelligence Council, for example, has projected that in 2025, "the U.S. will remain the preeminent power, but that American dominance will be much diminished."

Power is the ability to attain the outcomes one wants, and the resources that produce it vary in different contexts. Spain in the sixteenth century took advantage of its control of colonies and gold bullion, the Netherlands in the seventeenth century profited from trade and finance, France in the eighteenth century benefited from its large population and armies, and the

United Kingdom in the nineteenth century derived power from its primacy in the Industrial Revolution and its navy. This century is marked by a burgeoning revolution in information technology and globalization, and to understand this revolution, certain pitfalls need to be avoided.

First, one must beware of misleading metaphors of organic decline. Nations are not like humans, with predictable life spans. Rome remained dominant for more than three centuries after the peak of its power, and even then it did not succumb to the rise of another state. For all the fashionable predictions of China, India, or Brazil surpassing the United States in the next decades, the greater threat may come from modern barbarians and nonstate actors. In an information-based world, power diffusion may pose a bigger danger than power transition. Conventional wisdom holds that the state with the largest army prevails, but in the information age, the state (or the nonstate actor) with the best story may sometimes win.

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Power today is distributed in a pattern that resembles a complex three-dimensional chess game. On the top chessboard, military power is largely unipolar, and the United States is likely to retain primacy for quite some time. On the middle chessboard, economic power has been multipolar for more than a decade, with the United States, Europe, Japan, and China as the major players and others gaining in importance. The bottom chessboard is the realm of transnational relations. It includes nonstate actors as diverse as bankers who electronically transfer funds, terrorists who traffic weapons, hackers who threaten cybersecurity, and challenges such as pandemics and climate change. On this bottom board, power is widely diffused, and it makes no sense to speak of unipolarity, multipolarity, or hegemony.

In interstate politics, the most important factor will be the continuing return of Asia to the world stage. In 1750, Asia had more than half the world's population and economic output. By 1900, after the Industrial Revolution in Europe and the United States, Asia's share shrank to one-fifth of global economic output. By 2050, Asia will be well on its way back to its historical share. The rise of China and India may create instability, but this is a problem with precedents, and history suggests how policies can affect the outcome.

HEGEMONIC DECLINE?

It is currently fashionable to compare the United States' power to that of the United Kingdom a century ago and to predict a similar hegemonic decline. Some Americans react emotionally to the idea of decline, but it would be counterintuitive and ahistorical to believe that the United States will have a preponderant share of power resources

forever. The word "decline" mixes up two different dimensions: absolute decline, in the sense of decay, and relative decline, in which the power resources of other states grow or are used more effectively.

The analogy with British decline is misleading. The United Kingdom had naval supremacy and an empire on which the sun never set, but by World War I, the country ranked only fourth among the great powers in its share of military personnel, fourth in GDP, and third in military spending. With the rise of nationalism, protecting the empire became more of a burden than an asset. For all the talk of an American empire, the United States has more freedom of action than the United Kingdom did. And whereas the United Kingdom faced rising neighbors, Germany and Russia, the United States benefits from being surrounded by two oceans and weaker neighbors.

Despite such differences, Americans are prone to cycles of belief in their own decline. The Founding Fathers worried about comparisons to the Roman republic. Charles Dickens observed a century and a half ago, "If its individual citizens, to a man, are to be believed, [the United States] always is depressed, and always is stagnated, and always is at an alarming crisis, and never was otherwise." In the last half century, belief in American decline rose after the Soviet Union launched Sputnik in 1957, after President Richard Nixon's economic adjustments and the oil shocks in the 1970s, and after the closing of rust-belt industries and the budget deficits in the Reagan era. Ten years later, Americans believed that the United States was the sole superpower, and now polls show that many believe in decline again.

Pundits lament the inability of Washington to control states such as Afghanistan

or Iran, but they allow the golden glow of the past to color their appraisals. The United States' power is not what it used to be, but it also never really was as great as assumed. After World War II, the United States had nuclear weapons and an overwhelming preponderance of economic power but nonetheless was unable to prevent the "loss" of China, to roll back communism in Eastern Europe, to overcome stalemate in the Korean War, to stop the "loss" of North Vietnam, or to dislodge the Castro regime in Cuba. Power measured in resources rarely equals power measured in preferred outcomes, and cycles of belief in decline reveal more about psychology than they do about real shifts in power resources. Unfortunately, mistaken beliefs in decline—at home and abroad—can lead to dangerous mistakes in policy.

CHINA ON THE RISE

For more than a decade, many have viewed China as the most likely contender to balance U.S. power or surpass it. Some draw analogies to the challenge that imperial Germany posed to the United Kingdom at the beginning of the last century. A recent book (by Martin Jacques) is even titled *When China Rules the World: The End of the Western World and the Birth of a New Global Order*. Goldman Sachs has projected that the total size of China's economy will surpass that of the United States in 2027.

Yet China has a long way to go to equal the power resources of the United States, and it still faces many obstacles to its development. Even if overall Chinese GDP passed that of the United States around 2030, the two economies, although roughly equivalent in size, would not be equivalent in composition. China would still have

a vast underdeveloped countryside, and it would have begun to face demographic problems from the delayed effects of its one-child policy. Per capita income provides a measure of the sophistication of an economy. Assuming a six percent Chinese GDP growth rate and only two percent American GDP growth rate after 2030, China would probably not equal the United States in per capita income until sometime around the middle of the century. In other words, China's impressive economic growth rate and increasing population will likely lead the Chinese economy to pass the U.S. economy in total size in a few decades, but that is not the same as equality.

Moreover, linear projections can be misleading, and growth rates generally slow as economies reach higher levels of development. China's authoritarian political system has shown an impressive capability to harness the country's power, but whether the government can maintain that capability over the longer term is a mystery both to outsiders and to Chinese leaders. Unlike India, which was born with a democratic constitution, China has not yet found a way to solve the problem of demands for political participation (if not democracy) that tend to accompany rising per capita income. Whether China can develop a formula that manages an expanding urban middle class, regional inequality, rural poverty, and resentment among ethnic minorities remains to be seen.

Some have argued that China aims to challenge the United States' position in East Asia and, eventually, the world. Even if this were an accurate assessment of China's current intentions (and even the Chinese themselves cannot know the views of future generations), it is doubtful that China will have the military capability

to make this possible anytime soon. Moreover, Chinese leaders will have to contend with the reactions of other countries and the constraints created by China's need for external markets and resources. Too aggressive a Chinese military posture could produce a countervailing coalition among China's neighbors that would weaken both its hard and its soft power.

The rise of Chinese power in Asia is contested by both India and Japan (as well as other states), and that provides a major power advantage to the United States. The U.S.-Japanese alliance and the improvement in U.S.-Indian relations mean that China cannot easily expel the Americans from Asia. From that position of strength, the United States, Japan, India, Australia, and others can engage China and provide incentives for it to play a responsible role, while hedging against the possibility of aggressive behavior as China's power grows.

DOMESTIC DECAY?

Some argue that the United States suffers from "imperial overstretch," but so far, the facts do not fit that theory. On the contrary, defense and foreign affairs expenditures have declined as a share of GDP over the past several decades. Nonetheless, the United States could decline not because of imperial overstretch but because of domestic underreach. Rome rotted from within, and some observers, noting the sourness of current U.S. politics, project that the United States will lose its ability to influence world events because of domestic battles over culture, the collapse of its political institutions, and economic stagnation. This possibility cannot be ruled out, but the trends are not as clear as the current gloomy mood suggests.

Although the United States has many social problems—and always has—they do not seem to be getting worse in any linear manner. Some of these problems are even improving, such as rates of crime, divorce, and teenage pregnancy. Although there are culture wars over issues such as same-sex marriage and abortion, polls show an overall increase in tolerance. Civil society is robust, and church attendance is high, at 42 percent. The country's past cultural battles, over immigration, slavery, evolution, temperance, McCarthyism, and civil rights, were arguably more serious than any of today's.

A graver concern would be if the country turned inward and seriously curtailed immigration. With its current levels of immigration, the United States is one of the few developed countries that may avoid demographic decline and keep its share of world population, but this could change if xenophobia or reactions to terrorism closed its borders. The percentage of foreign-born residents in the United States reached its twentieth-century peak, 14.7 percent, in 1910. Today, 11.7 percent of U.S. residents are foreign born, but in 2009, 50 percent of Americans favored decreasing immigration, up from 39 percent in 2008. The economic recession has only aggravated the problem.

Although too rapid a rate of immigration can cause social problems, over the long term, immigration strengthens U.S. power. Today, the United States is the world's third most populous country; 50 years from now, it is likely to still be third (after India and China). Not only is this relevant to economic power, but given that nearly all developed countries are aging and face the burden of providing for the older generation, immigration

could help reduce the sharpness of the resulting policy problem. In addition, there is a strong correlation between the number of H-1B visas and the number of patents filed in the United States. In 1998, Chinese- and Indian-born engineers were running one-quarter of Silicon Valley's high-tech businesses, and in 2005, immigrants were found to have helped start one of every four American technology start-ups over the previous decade.

Equally important are the benefits of immigration for the United States' soft power. Attracted by the upward mobility of American immigrants, people want to come to the United States. The United States is a magnet, and many people can envisage themselves as Americans. Many successful Americans look like people in other countries. Rather than diluting hard and soft power, immigration enhances both. When Singapore's Lee Kuan Yew concludes that China will not surpass the United States as the leading power of the twenty-first century, he cites the ability of the United States to attract the best and brightest from the rest of the world and meld them into a diverse culture of creativity. China has a larger population to recruit from domestically, but in his view, its Sinocentric culture will make it less creative than the United States, which can draw on the whole world.

On the other hand, a failure in the performance of the U.S. economy would be a showstopper. Keeping in mind that macroeconomic forecasts (like weather forecasts) are notoriously unreliable, it appears that the United States will experience slower growth in the decade after the 2008 financial crisis. The International Monetary Fund expects U.S. economic growth to average about two percent in

2014. This is lower than the average over the past several decades but roughly the same as the average rate over the past ten years.

In the 1980s, many observers believed that the U.S. economy had run out of steam and that Germany and Japan were overtaking the United States. The country seemed to have lost its competitive edge. Today, however, even after the financial crisis and the ensuing recession, the World Economic Forum has ranked the United States fourth (after Switzerland, Sweden, and Singapore) in global economic competitiveness. (China, in comparison, was ranked 27th.) The U.S. economy leads in many new growth sectors, such as information technology, biotechnology, and nanotechnology. And even though optimists tend to cite the United States' dominance in the production and use of information technology, that is not the only source of U.S. productivity. The United States has seen significant agricultural innovation, too, and its openness to globalization, if it continues, will also drive up productivity. Economic experts project that American productivity growth will be between 1.5 and 2.25 percent in the next decade.

In terms of investment in research and development, the United States was the world leader in 2007, with \$369 billion, followed by all of Asia (\$338 billion) and the European Union (\$263 billion). The United States spent 2.7 percent of its GDP on research and development, nearly double what China spent (but slightly less than the three percent spent by Japan and South Korea). In 2007, American inventors registered about 80,000 patents in the United States, or more than the rest of the world combined. A number

of reports have expressed concern about problems such as high corporate tax rates, the flight of human capital, and the growing number of overseas patents, but U.S. venture capital firms invest 70 per cent of their money in domestic start-ups. A 2009 survey by the Global Entrepreneurship Monitor ranked the United States ahead of other countries in opportunities for entrepreneurship because it has a favorable business culture, the most mature venture capital industry, close relations between universities and industry, and an open immigration policy.

Other concerns about the future of the U.S. economy focus on the current account deficit (whose current level indicates that Americans are becoming more indebted to foreigners) and the rise in government debt. In the words of the historian Niall Ferguson, "This is how empires decline. It begins with a debt explosion." Not only did the recent bank bailout and Keynesian stimulus package add to U.S. debt, but the rising costs of health care and entitlement programs such as Social Security, along with the rising cost of servicing the debt, will claim large shares of future revenue. Other observers are less alarmist. The United States, they claim, is not like Greece.

The Congressional Budget Office calculates that total government debt will reach 100 percent of GDP by 2023, and many economists begin to worry when debt levels in rich countries exceed 90 percent. But as *The Economist* pointed out last June, "America has two huge advantages over other countries that have allowed it to face its debt with relative equanimity: possessing both the world's reserve currency and its most liquid asset market, in Treasury bonds." And contrary to fears of a collapse of confidence in the dollar,

during the financial crisis, the dollar rose and bond yields fell. A sudden crisis of confidence is less the problem than that a gradual increase in the cost of servicing the debt could affect the long-term health of the economy.

It is in this sense that the debt problem is important, and studies suggest that interest rates rise 0.03 percent for every one percent increase in the debt-to-GDP ratio over the long term. Higher interest rates mean lower private-sector investment and slower growth. These effects can be mitigated by good policies or exacerbated by bad ones. Increasing debt need not lead to the United States' decline, but it certainly raises the long-term risk.

A well-educated labor force is another key to economic success in the information age. At first glance, the United States does well in this regard. It spends twice as much on higher education as a percentage of GDP as do France, Germany, Japan, and the United Kingdom. The London-based *Times Higher Education's* 2009 list of the top ten universities includes six in the United States, and a 2010 study by Shanghai Jiao Tong University places 17 U.S. universities—and no Chinese universities—among its top 20. Americans win more Nobel Prizes and publish more scientific papers in peer-reviewed journals—three times as many as the Chinese—than do the citizens of any other country. These accomplishments enhance both the country's economic power and its soft power.

American education at its best—many universities and the top slice of the secondary education system—meets or sets the global standard. But American education at its worst—too many primary and secondary schools, especially in less affluent districts—lags badly behind. This means

that the quality of the labor force will not keep up with the rising standards needed in an information-driven economy. There is no convincing evidence that students are performing worse than in the past, but the United States' educational advantage is eroding because other countries are doing better than ever. Improvement in the country's K-12 education system will be necessary if the country is to meet the standards needed in an information-based economy.

POLITICS AND INSTITUTIONS

Despite these problems and uncertainties, it seems probable that with the right policies, the U.S. economy can continue to produce hard power for the country. But what about U.S. institutions? The journalist James Fallows, who spent years in China, came home worried less about the United States' economic performance than the gridlock in its political system. In his view, "America still has the means to address nearly any of its structural weaknesses. . . . That is the American tragedy of the early 21st century: a vital and self-renewing culture that attracts the world's talent and a governing system that increasingly looks like a joke." Although political gridlock in a period of recession looks bad, it is difficult to ascertain whether the situation today is much worse than in the past.

Power conversion—translating power resources into desired outcomes—is a long-standing problem for the United States. The U.S. Constitution is based on the eighteenth-century liberal view that power is best controlled by fragmentation and countervailing checks and balances. In foreign policy, the Constitution has always invited the president and Congress to

compete for control. Strong economic and ethnic pressure groups struggle for their self-interested definitions of the national interest, and Congress is designed to pay attention to squeaky wheels.

Another cause for concern is the decline of public confidence in government institutions. In 2010, a poll by the Pew Research Center found that 61 percent of respondents thought the United States was in decline, and only 19 percent trusted the government to do what is right most of the time. In 1964, by contrast, three-quarters of the American public said they trusted the federal government to do the right thing most of the time. The numbers have varied somewhat over time, rising after 9/11 before gradually declining again.

The United States was founded in part on a mistrust of government, and its constitution was designed to resist centralized power. Moreover, when asked not about day-to-day government but about the underlying constitutional framework, Americans are very positive. If asked where the best place to live is, the overwhelming majority of them say the United States. If asked whether they like their democratic system of government, nearly everyone says yes. Few people feel the system is rotten and must be overthrown.

Some aspects of the current mood probably represent discontent with the bickering and deadlock in the political process. Compared with the recent past, party politics has become more polarized, but nasty politics is nothing new—as John Adams, Alexander Hamilton, and Thomas Jefferson could attest. Part of the problem with assessing the current atmosphere is that trust in government became abnormally high among the generation that survived the Depression and won

World War II. Over the long view of U.S. history, that generation may be the anomaly. Much of the evidence for a loss of trust in government comes from modern polling data, and responses are sensitive to the way questions are asked. The sharpest decline occurred more than four decades ago, during the Johnson and Nixon administrations.

This does not mean that there are no problems with declining confidence in government. If the public became unwilling to pay taxes or comply with laws, or if bright young people refused to go into public service, the government's capacity would be impaired, and people would become more dissatisfied with the government. Moreover, a climate of distrust can trigger extreme actions by deviant members of the population, such as the 1995 bombing of a federal office building in Oklahoma City. Such results could diminish the United States' hard and soft power.

As yet, however, these fears do not seem to have materialized. The Internal Revenue Service has seen no increase in tax cheating. By many accounts, government officials have become less corrupt than in earlier decades, and the World Bank gives the United States a high score (above the 90th percentile) on "control of corruption." The voluntary return of census forms increased to 67 percent in 2000 and was slightly higher in 2010, reversing a 30-year decline. Voting rates fell from 62 percent to 50 percent over the four decades after 1960, but the decline stopped in 2000 and returned to 58 percent in 2008. In other words, the public's behavior has not changed as dramatically as its responses to poll questions indicates.

How serious are changes in social capital when it comes to the effectiveness of American institutions? The political scientist Robert Putnam notes that community bonds have not weakened steadily over the last century. On the contrary, U.S. history, carefully examined, is a story of ups and downs in civic engagement. Three-quarters of Americans, according to the Pew Partnership for Civic Change, feel connected to their communities and say that the quality of life there is excellent or good. Another of the group's polls found that 111 million Americans had volunteered their time to help solve problems in their communities in the past 12 months and that 60 million volunteer on a regular basis. Forty percent said working together with others in their community was the most important thing they could do.

In recent years, U.S. politics and political institutions have become more polarized than the actual distribution of public opinion would suggest. The situation has been exacerbated by the recent economic downturn. As *The Economist* noted, "America's political system was designed to make legislation at the federal level difficult, not easy. . . . So the basic system works; but that is no excuse for ignoring areas where it could be reformed." Some important reforms—such as changing the gerrymandered safe seats in the House of Representatives or altering Senate rules about filibusters—would not require any constitutional amendment. Whether the U.S. political system can reform itself and cope with the problems described above remains to be seen, but it is not as broken as implied by critics who draw analogies to the domestic decay of Rome or other empires.

DEBATING DECLINE

Any net assessment of American power in the coming decades will remain uncertain, but analysis is not helped by misleading metaphors of decline. Declinists should be chastened by remembering how wildly exaggerated U.S. estimates of Soviet power in the 1970s and of Japanese power in the 1980s were. Equally misguided were those prophets of unipolarity who argued a decade ago that the United States was so powerful that it could do as it wished and others had no choice but to follow. Today, some confidently predict that the twenty-first century will see China replace the United States as the world's leading state, whereas others argue with equal confidence that the twenty-first century will be the American century. But unforeseen events often confound such projections. There is always a range of possible futures, not one.

As for the United States' power relative to China's, much will depend on the uncertainties of future political change in China. Barring any political upheaval, China's size and high rate of economic growth will almost certainly increase its relative strength vis-à-vis the United States. This will bring China closer to the United States in power resources, but it does not necessarily mean that China will surpass the United States as the most powerful country—even if China suffers no major domestic political setbacks. Projections based on GDP growth alone are one-dimensional. They ignore U.S. advantages in military and soft power, as well as China's geopolitical disadvantages in the Asian balance of power.

Among the range of possible futures, the more likely are those in which China

gives the United States a run for its money but does not surpass it in overall power in the first half of this century. Looking back at history, the British strategist Lawrence Freedman has noted that the United States has “two features which distinguish it from the dominant great powers of the past: American power is based on alliances rather than colonies and is associated with an ideology that is flexible. . . . Together they provide a core of relationships and values to which America can return even after it has over-extended itself.” And looking to the future, the scholar Anne-Marie Slaughter has argued that the United States’ culture of openness and innovation will keep it central in a world where networks supplement, if not fully replace, hierarchical power.

The United States is well placed to benefit from such networks and alliances, if it follows smart strategies. Given Japanese concerns about the rise of Chinese power, Japan is more likely to seek U.S. support to preserve its independence than ally with China. This enhances the United States’ position. Unless Americans act foolishly with regard to Japan, an allied East Asia is not a plausible candidate to displace the United States. It matters that the two entities in the world with per capita incomes and sophisticated economies similar to those of the United States—the European Union and Japan—both are U.S. allies. In traditional realist terms of balances of power resources, that makes a large difference for the net position of U.S. power. And in a more positive-sum view of power—that of holding power with, rather than over, other countries—Europe and Japan provide the largest pools of resources for dealing with common transnational problems. Although their

interests are not identical to those of the United States, they share overlapping social and governmental networks with it that provide opportunities for cooperation.

On the question of absolute, rather than relative, American decline, the United States faces serious problems in areas such as debt, secondary education, and political gridlock. But they are only part of the picture. Of the multiple possible futures, stronger cases can be made for the positive ones than the negative ones. But among the negative futures, the most plausible is one in which the United States overreacts to terrorist attacks by turning inward and thus cuts itself off from the strength it obtains from openness. Barring such mistaken strategies, however, there are solutions to the major American problems of today. (Long-term debt, for example, could be solved by putting in place, after the economy recovers, spending cuts and consumption taxes that could pay for entitlements.) Of course, such solutions may forever remain out of reach. But it is important to distinguish hopeless situations for which there are no solutions from those that could in principle be solved. After all, the bipartisan reforms of the Progressive era a century ago rejuvenated a badly troubled country.

A NEW NARRATIVE

It is time for a new narrative about the future of U.S. power. Describing power transition in the twenty-first century as a traditional case of hegemonic decline is inaccurate, and it can lead to dangerous policy implications if it encourages China to engage in adventurous policies or the United States to overreact out of fear. The United States is not in absolute decline, and in relative terms, there is a

reasonable probability that it will remain more powerful than any single state in the coming decades.

At the same time, the country will certainly face a rise in the power resources of many others—both states and nonstate actors. Because globalization will spread technological capabilities and information technology will allow more people to communicate, U.S. culture and the U.S. economy will become less globally dominant than they were at the start of this century. Yet it is unlikely that the United States will decay like ancient Rome, or even that it will be surpassed by another state, including China.

The problem of American power in the twenty-first century, then, is not one of decline but what to do in light of the realization that even the largest country cannot achieve the outcomes it wants without the help of others. An increasing number of challenges will require the United States to exercise power with others as much as power over others. This, in turn, will require a deeper understanding of power, how it is changing, and how to construct “smart power” strategies that combine hard- and soft-power resources in an information age. The country’s capacity to maintain alliances and create networks will be an important dimension of its hard and soft power.

Power is not good or bad per se. It is like calories in a diet: more is not always better. If a country has too few power resources, it is less likely to obtain its preferred outcomes. But too much power (in terms of resources) has often proved to be a curse when it leads to overconfidence and inappropriate strategies. David slew Goliath because Goliath’s superior power resources led him to pursue an inferior

strategy, which in turn led to his defeat and death. A smart-power narrative for the twenty-first century is not about maximizing power or preserving hegemony. It is about finding ways to combine resources in successful strategies in the new context of power diffusion and “the rise of the rest.”

As the largest power, the United States will remain important in global affairs, but the twentieth-century narrative about an American century and American primacy—as well as narratives of American decline—is misleading when it is used as a guide to the type of strategy that will be necessary in the twenty-first century. The coming decades are not likely to see a post-American world, but the United States will need a smart strategy that combines hard- and soft-power resources—and that emphasizes alliances and networks that are responsive to the new context of a global information age. 🌐