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As the world stumbles from the truly horrible year of 2008 into the very scary year of 2009, there seems, on the face of it, many reasons for the foes of America to think that the world's number one power will take heavier hits than most other big nations. Those reasons will be outlined below. But let's start by noting that curious trait of human beings who, in pain themselves, seem to enjoy the fact that others are hurting even more badly. (One can almost hear some mournful Chekhovian aristocrat declare: "My estates may be damaged, Vasily, but yours are close to ruin!")

So while today's Russia, China, Latin America, Japan and the Middle East may be suffering setbacks, the biggest loser is understood to be Uncle Sam. For the rest of the world, that is the grand consolation! By what logic, though, should America lose more ground in the years to come than other nations, except on the vague proposition that the taller you stand, the further you fall?

The first reason, surely, is the U.S.'s truly exceptional budgetary and trade deficits. There is nothing else in the world like them in absolute measures and, even when calculated in proportion to national income, the percentages look closer to those you might expect from Iceland or some poorly run Third World economy. To my mind, the projected U.S. fiscal deficits for 2009 and beyond are scary, and I am amazed that so few congressmen recognize the fact as they collectively stampede towards the door entitled "fiscal stimulus."

The planned imbalances are worrying for three reasons. The first is because the total projections have been changing so fast, always in a gloomier direction. I have never, in 40 years of reading into the economics of the Great Powers, seen the figures moved so often, and in such vast proportions. Clearly, some people do believe that Washington is simply a printing machine.

The second reason all this is scary is because no one seems to be certain how usefully (or fecklessly) this money will be applied. I wish Barack Obama's administration all the best, but I am frightened by the prospect that he and his team will feel under such time pressures as to

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shovel out the money without adequate precautions, and that lots of it will slip into the wrong hands. The news in the press last week that lobbyists were pouring into Washington to make the case for whatever industry, interest group, or service sector they have been hired to represent made my heart sink. Printing lots of unsecured money is bad enough. Frittering it away on courtiers is worse.

The third thing I'm really scared about is that we'll likely have very little money ourselves to pay for the Treasury bonds that are going to be issued, in tens of billions each month, in the years ahead. Sure, some investment firms, bruised by their irrational exuberance for equities and commodities, will take up a certain amount of Treasury issues even at a ridiculously low (or no) rate of return. But that will not cover an estimated budget deficit of \$1.2 trillion in 2009.

Never mind, I am told, the foreigners will pay gladly for that paper. This notion makes me queasy. In the first place, it is (without its advocates ever acknowledging it) a dreadful sign of America's relative decline. If you have seen Clint Eastwood's poignant war movie "Flags of Our Fathers," you also will have been stirred by the scenes where the three bewildered Iwo Jima veterans are dragged all over the country to beg the cheering audiences: "Buy American Bonds!" It's uncomfortable all right, but there was one massive consolation. The U.S. government, fully converted to Keynesianism, was asking its citizens to dig into their own hoarded savings to help sustain the war effort. Who else, after all, could buy? A near-bankrupt British Empire? A war-torn China? The Axis? The Soviet Union? How fortunate it was that World War II doubled U.S. GDP, and the savings were there.

Today, however, our dependency upon foreign investors will approximate more and more the state of international indebtedness we historians associate with the reigns of Philip II of Spain and Louis XIV of France – attractive propositions at first, then steadily losing glamour.

It is possible that the early sales of Treasuries this year could go well, since panicked investors may prefer to buy bonds that pay nothing to shares of companies that may go bust. But certain sharp-eyed analysts of the Treasuries market already hint that the appetite for Obama-bonds is limited.

Do people really think that China can buy and buy when its investments here have already been hurt, and its government can see the enormous need to invest in its own economy? If a miracle happened, and China bought most of the \$1.2 trillion from us, what would our state of dependency be then? We could be looking at as large a shift in the world's financial balances as

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that which occurred between the British Empire and the United States between 1941 and 1945. Is everybody happy at that? Yet if foreigners show little appetite for U.S. bonds, we will soon have to push interest rates up.

If I have spent so much space on America's fiscal woes, it is because I guess that its sheer depth and severity will demand most of our political attention over the next two years, and thus drive other important problems to the edges of our radar screen. It is true that the economies of Britain, Greece, Italy and a dozen other developed nations are hurting almost as badly, and that much of Africa and parts of Latin America are falling off the cliff. It is also true that the steep drop in energy prices has dealt a heavy blow to such charmless governments as Vladimir Putin's Russia, Hugo Chávez's Venezuela, and Mahmoud Ahmadinejad's Iran, with the hoped effect of curbing their mischief-making capacities.

On the other hand, the data so far suggest the economies of China and India are growing (not as fast as in the past but still growing), while America's economy shrinks in absolute terms. When the dust settles on this alarming and perhaps protracted global economic crisis, we should not expect national shares of world production to be the same as in, say, 2005. Uncle Sam may have to come down a peg or two.

Moreover, no three or four of those countries -- and perhaps not a dozen of them combined -- have anywhere like the staggering array of overseas military commitments and deployments that weigh upon Uncle Sam's shoulders. That brings us back, I'm sorry to say, to the "imperial overstretch" remarks I made some 20 years ago.

As I suggested at that time, a strong person, balanced and muscular, can carry an impressively heavy backpack uphill for a long while. But if that person is losing strength (economic problems), and the weight of the burden remains heavy or even increases (the Bush doctrine), and the terrain becomes more difficult (rise of new Great Powers, international terrorism, failed states), then the once-strong hiker begins to slow and stumble. That is precisely when nimbler, less heavily burdened walkers get closer, draw abreast, and perhaps move ahead.

If the above is even half-true, the conclusions are not pleasant: that the economic and political travails of the next several years will badly crimp many of the visions offered in Mr. Obama's election campaign; that this nation will have to swallow, domestically, some very hard choices; and that we should not expect, even despite a surge in international goodwill towards America, any increase in our relative capacity to act abroad decisively or in any sustained way. A rather

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wonderful, charismatic and highly intelligent person will occupy the White House, but, alas, in the toughest circumstances the U.S. has faced since 1933 or 1945.

In this focus upon chronic fiscal deficits and military overstretch, certain positive measures of American strength tend to get pushed into the shadows (and perhaps should be given more light at another time). This country possesses tremendous advantages compared to other great powers in its demographics, its land-to-people ratio, its raw materials, its research universities and laboratories, its flexible work force, etc. These strengths have been overshadowed during a near-decade of political irresponsibility in Washington, rampant greed on Wall Street and its outliers, and excessive military ventures abroad.

Things could have gone better, although that is not to argue that America can return to the preeminence it held in, say, President Dwight Eisenhower's day. The global tectonic power shifts, towards Asia and away from the West, seem hard to reverse. But sensible policies agreed to by the U.S. Congress and the White House could certainly help to make those historical transformations less bumpy, less violent, and much less unpleasant. That's not a bad thought, even for a "declinist" like me.