



Revue électronique internationale
International Web Journal
www.sens-public.org

Hegemony and decline: Reflections on recent American experience

DAVID CALLEO

Abstract: This article reflects on the case for American « declinism » at the end of the Reagan administration, the apparent rejuvenation of American power in the Bush I and Clinton administrations, and the significance of developments under Bush II. How much continuity links these administrations?

Hegemony and decline: Reflections on recent American experience

David Calleo

In recent decades fashionable American foreign policy analysis has oscillated between triumphalism and declinism. By triumphalism - American style - I mean the belief that our increasingly integrated world is « unipolar », that is, oriented to and led by a single political, economic and military superpower - the United States. In other words, triumphalism implies American global hegemony. By declinism - American style - I mean the belief that the United States is politically, economically, militarily and morally « overstretched », to use a term popularized by the Yale historian, Paul Kennedy, overstretched through the exertions of attempting to play the world's hegemon or « hyperpower », to use a word favored here in Paris. The linkage leading from hegemony to decline has certainly been amply studied in recent years. It has been commonplace to speak of a « declinist school » of writers. Numerous studies expatiate on the linkage between hegemony and decline. For a start, there is Paul Kennedy's grand historical argument, *The Rise and Fall of the Great Powers*, published in 1987. Decline, he recounts, has been the fate of the would-be hegemon, from Habsburg Spain, to Bourbon and Napoleonic France, to liberal Britain, and perhaps now America. Broadly speaking, the basic reasons are similar in each case. Burdened by heavy military spending and debt, the hegemonic power grows « overstretched ». It neglects and distorts and thereby weakens its economy and society. Ultimately its military strength ebbs as well.

A parallel view can be found in the writings of the noted economic historian, Charles Kindleberger. In numerous writings, perhaps most notably in *The World in Depression: 1929-1939*, published in 1973, Kindleberger depicts the declining hegemon as a victim of « free-riding ». For Kindleberger, exercising hegemony means providing public goods to the « world system ». Militarily, the hegemon is the ultimate upholder of security - law and order - around the world. Economically, the hegemon is the world's buyer and creditor of last resort - ready and able to step in to halt global capitalism's periodic market crises. As Kindleberger sees it, the benefits of these « public goods » are shared by all, but paid for disproportionately by the hegemon. Inevitably, over time, the free-riding beneficiaries grow relatively stronger while the overtaxed hegemon grows relatively weaker. Eventually the hegemon is no longer powerful enough – relative to the others – to maintain its old primacy. Its beneficiaries challenge it, further increasing

the burden of hegemony, and hastening the hegemon's decline. As hegemony collapses, interregnum follows – a time of troubles. Roughly speaking, this is how Kindleberger viewed the World Wars and Great Depression of the 20th century. Britain had established a global Pax Britannica in the 19th century. By the 20th century, new great powers, most immediately Germany, long benefiting from Britain's liberal world system, had reached the stage of challenging Britain, and Britain no longer had the resources to firmly suppress those challenges. The First World War had left Britain gravely weakened, the U.S. was the natural successor. Woodrow Wilson sought to initiate a new age of American hegemony. But the U.S., in its isolationist mood, resisted the hegemonic prize. The interregnum continued. In Kindleberger's view, the depression and Second World War were the natural outcomes. Not until Franklin Roosevelt led America into World War II did history resume its natural and, for Kindleberger, benevolent progress. Belatedly, a Pax Americana succeeded the shattered Pax Britannica.

My own contribution to this declinist school was two books that attempted to analyze the costs of America's role in the Cold War. The first of these was *Beyond American Hegemony*, published in 1987. It was generously reviewed in the *New York Times* by Paul Kennedy, whom I didn't know at the time, and before his masterwork appeared a few months later. In my book, I explored at length the strategic and political anomalies of Cold War military arrangements – in particular America's extended deterrence, nuclear and conventional, on behalf of Western Europe. A NATO still run by the U.S. needed, I argued, to adapt to the great changes in Europe since the early 1950's, such as Western Europe's extraordinary economic transformation and the creation and progress of the European Community. Given these changes, America's European role was excessive, I thought, and subsidized lingering European nationalism and disunity, which was an obstacle to further European integration. Moreover, the actual military arrangements were inefficient and, because so costly for the U.S., highly unfavorable to the U.S. economically. In 1985, for example, the United States was spending 6.6 % of GNP on defense, compared to France's 4 %, Germany's 3.2 %, Italy's 2.3 % and Britain's 5.2 %. The military forces for the NATO commitment were absorbing roughly half the American defense budget in those days. Our attempts to spread the costs through manipulating the dollar, common practice since Nixon's presidency, were bad for the world economy, as well as the American. Devolution of America's hegemonic responsibilities in Europe to the Europeans themselves was becoming, I argued, an urgent necessity, for both political and economic reasons. If truth be told, my fervor for forcing the pace of devolution was fed by a certain foreboding that the Soviet empire would collapse before the budding European confederacy was sufficiently unified to deal with the consequences of German reunification and a greatly expanded Europe. The overstretched superpowers, meanwhile, seemed to be on a downhill race economically. *Competitive decadence* was how one

prominent European analyst, Pierre Hassner, once described their performance. The Soviet Union was ceasing to be even a great power in economic terms, let alone a superpower, and the U.S. was itself lagging well behind Western Europe and Japan in investment and productivity growth. These phenomena clearly pointed to a relative economic decline of the U.S. in relation to its own allies – a classic symptom of what Kennedy called « overstretch » and a condition that I described as a *hegemon in decline*.

My second declinist book was *The Bankrupting of America*, published in 1992. It focused, first and foremost, on America's ballooning fiscal deficit and the consequent growth of indebtedness. America's national debt had sputtered from around \$1 trillion in 1980 to roughly \$4 trillion in 1992, and was advancing at the rate of a trillion dollars every 4 years. Today, incidentally, our national debt is roughly \$7 trillion, and if current deficits continue, it will be over \$10 trillion by 2009. The book asked: What is this fiscal deficit doing to us? Why do we have it? And what will have to change to get rid of it? The result was a sort of « general theory » of the fiscal deficit. The habitual deficit, i.e., the regular, systematic inability to match spending and ambitions to the resources actually available, has severe consequences, I thought – in common, of course, with my other analyses.

The obvious question followed, if it was so clear that the deficits were doing such harm, why were we unable to stop them? The most obvious cause was the American public's unwillingness to pay higher taxes. Often this reluctance was treated as a sort of anthropological phenomenon. The American Revolution, after all, had begun with a tax revolt, the Boston Tea Party. I tried to suggest a more rational explanation. Americans were unwilling to pay more, because they, in fact, got relatively little from the public sector for what they did pay. Particularly revealing were international comparisons between the U.S. and other rich, developed Western countries. If civilian spending alone was compared, American taxpayers were paying a good deal for what they were getting, by comparison with, for example, French and German taxpayers. Of course, European middle class taxpayers paid much more in direct and indirect taxes to the state, but in return received high pensions, affordable medical care, relatively free higher education, cleaner and safer cities, a well-maintained infrastructure, etc. America's taxes were lower, but its civilian benefits were lower still. One obvious reason for America's low civilian return on taxation was the comparatively large size of the defense budget, which since 1950 had absorbed between 20 % and 50 % of U.S. federal spending. This, in my view, was the malevolent link between economic decline and geopolitics. In particular, it was a powerful link between America's decline and the need for devolution in NATO. As I mentioned earlier, roughly half the U.S. defense budget was spent on maintaining the forces needed for the American hegemonic role in Europe. Recasting the American role in NATO would, I argued, save a good deal of money and push Europe toward

further integration – in a fashion useful to the West in general, as well as to the Europeans. In passing, I should note that I never claimed, however, that the federal deficit could be blamed entirely on the defense budget, or could be cured merely by cutting defense spending.

I saw two other main causes for American fiscal deficits, both linked to geopolitics but in different ways. The first was the basic inefficiency of the American public sector. Broadly speaking, it tended to cost much more for the public sector to do things in America than in Western Europe. Health care was a notable illustration at the time, and doubtless still is. The inefficiency of our public sector was rooted in our constitutional arrangements. Ours remained a seventeenth-century constitution: a beleaguered king and an anarchical parliament of independent, entrepreneurial barons. That great innovation of nineteenth century democratic politics, a government based on a stable and disciplined majority, had passed us by. Paradoxically, our constitutional inadequacies tended to encourage our geopolitical overstretching. Historically, we had sought to cure the evils of our constitutional incoherence by resort to an « Imperial Presidency ». The strength of that Presidency was generally tied to our external role. For the Imperial Presidency to flourish, and thus to provide direction for our anarchical political system, we required an external *threat*, and hence a world role. The Cold War had provided that threat and, for a time, liberated the Imperial Presidency. Very high military spending was the natural result, made worse by the undisciplined character of our budgetary process. Indeed, the budget process itself was a sort of metaphor for the anarchical political system as a whole. Thus, there was a direct link between our anarchical political system, our overstretched world role, and our financial indiscipline.

Finally, there was, I thought, another main reason for the U.S.'s addiction to regular large deficits. Thanks to our hegemonic world role, we could, in the short-run, shift a good part of the cost to other countries. Several of my books and articles over the years tried to work out the various formulas by which manipulating the dollar had helped to ease the burden of our internal and external deficits. This was a further twist in the linkage between hegemony and decline. The practice was convenient in the short-term, but not salutary over the longer term. The oscillating monetary policies that were the essence of these formulas themselves imposed a heavy cost on the U.S., by seriously undermining the functioning of our market economy. Unstable money led to « Casino Capitalism » – to borrow a title from my old friend, Susan Strange. It favored short-term as opposed to long-term perspectives – malinvestment, speculation and sharp practice over real investment. Such patterns seemed to me part of the explanation for our « decline ». In effect, I argued, the U.S. had become an exploitative « hegemon in decline ». Instead of using American strength to sustain the world, we were using the world to sustain America.

In the mood of the late 1980's and early 1990's, all these declinist arguments hit the public with considerable force. Arguably, the election of 1992 was a triumph for the declinist arguments.

Ross Perot was the declinist candidate. Clinton, in fact, aligned himself closely with Perot's positions. Clinton's motto: « It's the economy, stupid ! » was the declinist platform. Already by 1992, however, the declinist arguments were being overtaken by a major geopolitical earthquake – the collapse and disintegration of the Soviet Union. As we tended to see things in America, the Soviet collapse left the U.S. the great winner of the Cold War. Not only was America now the greatest military power, but it also began enjoying an unprecedented economic boom. Under the circumstances, the American « triumphalism » of the 1990's was only natural. And that triumphalism provided the psychological and cultural environment within which American elites began formulating their unipolar vision for the twenty-first century – an integrated world system with the United States as its single, hegemonic superpower – not very different from the triumphalist American model at the end of World War II.

Since the early 1990's, America's post-Soviet unipolar project has appeared in two models: Clinton's model for the economic superpower and Bush's model for the military superpower. And despite America's manifest strength, each model has revealed severe vulnerabilities. Clinton's aim was to make the U.S. the world's economic superpower – the global champion of advanced industries and services of all sorts. Clinton's undoubted accomplishment was to achieve a long overdue assainissement of American fiscal policy. In the end, he actually managed to balance the federal budget, and indeed produced a surplus. Balancing the budget was made possible, above all, by radical cuts in the defense budget – thanks to the end of the Cold War. These defense cuts actually began in the first Bush administration – roughly 50 % of the \$109 billion in defense cuts occurred from FY 1989 through FY 1993.

Moving the budget toward balance seemed to have all the beneficent effects classical economists expected. With the government no longer heavily engaged in fresh borrowing, the cost of capital fell, investment and productivity soared – aided by major developments in information technology. Clinton's boom was nevertheless still marked by the stigma of an exploiting hegemon in decline. Even though federal deficits were no longer converting savings into consumption, there was a corresponding decline in private saving that more than compensated. By the end of the 1990's, private household saving was actually negative. Thus, despite the end of the Cold War and a big drop in defense spending, the U.S. continued its old habit of absorbing – consuming and investing – more than it produced. Hence America's giant current account deficit that had to be financed from abroad. In effect, Clinton's boom depended on massive infusions of foreign credit.

Today, with the Bush administration's Reaganite tax and budgetary policies, Clinton's accomplishment has vanished and we are back in the familiar declinist posture. With our even bigger current account deficit, our need for foreign credit is greater than ever. Ominously, it now

comes less and less in the form of investments in our real economy, as it did in the Clinton years, but increasingly from selling short-term Treasury instruments to Japanese and Chinese central banks. In effect, it is the Chinese, and above all, the Japanese, supporting the dollar to hang on to their trade surpluses, who now finance America's prosperity. This seems a rather fragile economic foundation for a unipolar superpower. Absorbing more than we produce, and depending on foreign finance, is not, of course, a new habit for our economy. But now that the Cold War is over, the old declinist warnings have new force, now that the euro is rivaling the dollar, America's insatiable need for credit seems more and more likely to impose limits – on what we can borrow, on what we can spend and on what we can do, particularly on what we can do by ourselves.

Meanwhile, as we all know, the Bush administration has, since 9/11, redefined the American global project in military terms. President Bush has seen himself as a « wartime president », conducting a global « war on terrorism » that appears to legitimate American interference anywhere in the world. This is a vigorous posture, bolstered by even more aggressive doctrines: « preventive war » against anyone seeking to acquire weapons of mass destruction or otherwise developing a potential threat to American security. In some formulations, anyone that poses a threat to American predominance. This expansive redefinition of American security is accompanied by what seems a radical change in America's attitude toward its alliances. The administration often finds its traditional allies a hindrance rather than an addition to national power, and proclaims that such allies can and should be ignored. America's obsession with its own unipolar fantasy has crowded out American interest in Europe's own grand vision. Europe's progress is not appreciated for the great possibilities that it offers to the West in general. Instead, it is resented. This suggests a grave danger for us all, that the dreams of Europe and America will end up defeating each other – a fatal tragedy for the West and for the world in general.

Behind these American attitudes is the presumption of American military omnipotence, a phenomenon never seen in the Cold War era because of Soviet deterrence. The early stages of the war in Iraq appeared to bear out this presumption of omnipotence. American « shock and awe » seemed more than capable of destroying the military power of any opposing state. By now, things have evolved somewhat differently. Iraq seems less a quick and easy American victory than a quagmire. To deal with Iraq, it seems increasingly obvious, the U.S. needs allies – and, more broadly, the consent and blessing of the world community. In effect, Iraq is now giving us an expensive education about the real world. A real world that is plural rather than unipolar. With restless Muslim societies from Indonesia to Morocco, with the rapid rise of China, and perhaps India, with a unifying and increasingly independent Europe, not to mention Russia and Japan, the vision of a hegemonic unipolar world grows more and more implausible and dysfunctional. It is possible that the « Unipolar Consensus » that has prevailed in Washington since the Soviet

collapse is fated to crumble. With this crumbling will perhaps come a certain rebirth in the U.S. of the old idea that a strong Europe, with a mind and will of its own, is in America's own interest. In a sense, the falling out over Iraq has brought Europe and America once more back to the wartime quarrels of de Gaulle and Roosevelt, to the clash between the ideals of hegemony and the balance of power.

Perhaps it is time to rewrite that wartime story with a new ending. This time, certainly, there is no Soviet threat to rescue the West's own cohesion. The « war on terrorism » seems an unlikely substitute. No one, of course, should lament the passing of the Soviet Union. But the Soviet passing does create an urgent need to rebalance the international system. The more powerful the U.S. becomes, the more a strong and friendly Europe, with a mind of its own, becomes essential. A friendly balancer needed, not only to limit and refine the exercise of American power in the world, but also to keep it within constitutional channels at home.

This awareness of American limits is, of course, the essence of declinism. It could, I suppose, be dismissed as a revival of isolationism – a sign of a naïve desire to run away from the responsibilities that history has imposed on the U.S. I myself prefer to see it as a rejuvenation of American constitutionalism – a tradition at least as old as American imperialism. This constitutionalism, extended into the international arena, prefers confederal cooperation and balance to unipolar hegemony. A renewed American respect for restraining power through multilateral practices obviously has implications for the transatlantic relationship. It points toward a different sort of Western alliance – something not so different from what General de Gaulle had in mind. That is to say a friendly but genuinely balanced partnership. We should not, I think, blame the present lack of such a balance solely on America's deficient interest in it. Having a balanced transatlantic relationship finally depends heavily on Europeans themselves. Before there can be a genuine special relationship between Europe and America, there must be a special relationship amongst Europeans. That is Europe's own great challenge – the debt, you might say, that Europe owes to the world, to America and to itself.