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# The U.S. No Longer Makes the Grade

## Economic Inequality Put an End to the "American Century"

**By David S. Mason**

In his State of the Union address last January, U.S. President Barack Obama said that "anyone who tells you that America is in decline or that our influence has waned, doesn't know what they're talking about." Former Utah Gov. Jon Huntsman, when in the race for the 2012 Republican presidential nomination, warned that unless Americans changed directions, they would see the "end of the American century by 2015." As bright and capable as both of these politicians are, they are both whistling in the wind. The American century — the post-World War II era of U.S. global leadership and dominance — ended a decade ago, and it is not coming back. While that does not mean the cessation of American wealth and might, it does mark a significant transformation in U.S. society and economics, and the country's place in the world. To cope with this transformation, Americans needs to recognize the nation's relative decline.

Photo illustration by Arnel Reynon

The "American century" as a term was the title of an influential essay written in 1941 for *Life* magazine by its publisher, Henry Luce. As Hitler's armies stormed across Europe, Luce called on the U.S. to shoulder world leadership, come to the defense of ally Britain in the wake of Nazi blitzes, and "promote, encourage and incite so-called democratic principles throughout the world." Such action would "inspire us [Americans] to live and work and fight with vigor and enthusiasm" and, in turn, "create the first great American century."[1] Indeed, in the next several decades, the U.S. propelled world trade and economic growth. Its science and technology provided the leading edge of innovation and discovery. The country's democratic institutions and educational system served as beacons all over the world. Its popular and consumer cultures were envied and mimicked everywhere. And American military prowess was admired and feared by governments and revolutionaries alike.

Yet in recent decades, particularly since 9/11, every aspect of this American predominance has faded. The U.S. economy, riddled with debt (both government and household), has not yet recovered from its steepest decline since 1946;[2] economic expansion over the last decade, averaging just 1.7 percent, marks the most prolonged slow period since the Depression.[3] American education, once the world's best, now ranks near the bottom among developed countries.[4] U.S. corporations, once exemplars of dynamism, innovation and efficiency, are hampered by bureaucracy, corruption and bloated executive payrolls, and few generate ingenuity, growth or jobs, at least in this country. Apple, for example, manufactures almost all of its iPhones, iPads, and other products overseas, when not long ago they were made in America.[5] While U.S. consumer goods and popular culture remain fashionable in much of the world, there is at the same time increasing resistance to American culture and traditions.[6] Witness, for example, the global proliferation of the "Occupy Wall Street" movements. Even the red, white and blue political machine, awash in money, is no longer the favored method for political development.[7] And the U.S. Constitution is increasingly viewed in other countries as antiquated both in its definition of government powers and narrow sense of human rights (for example, not including gender equality or ensuring education or healthcare).[8] And while America used to be considered the epitome of economic opportunity and social mobility, recent studies demonstrate that the U.S. lags behind many other countries even on this cherished value.[9]

### The U.S. takes one step forward, two steps back

These were all themes of my book, *The End of the American Century*, published by Rowman & Littlefield in 2008 — before the economic collapse that began that year, and before the election of President Obama. (Also, go online to endoftheamericancentury.blogspot.com.) In the years since, the situation has improved in some respects and worsened in others, though the overall picture remains the same.

On the positive side, Obama at least partially restored America's international reputation — which had been so badly battered by the George W. Bush administration with the Iraq War, the flaunting of international law, and the sanctioning of torture — by ending the war, pledging to respect international law, banning torture, and promising that the U.S. would be a better global citizen.[10] Also, Obama's healthcare reform brings the U.S. closer to the far superior alternatives of other developed countries. And his economic stimulus plan helped stabilize the free-falling economy and stem the alarming upswing in unemployment (at 10 percent at its worst in late 2009 and down to a little more than eight percent as of July).

On the other hand, the U.S. national debt ballooned to more than $15 trillion — dwarfing the $10 trillion of 2008 that many historians and economists thought was unsustainable even then. A quarter century ago, in his book *The Rise and Fall of the Great Powers*, historian Paul Kennedy pointed to the U.S. federal debt, then at 44 percent of gross domestic product, as a worrisome consequence of "imperial overstretch" — a common feature of the historical collapse of great empires. The only other historical example of a great power becoming so indebted in peacetime was France in the 1780s, where the fiscal crisis was one of the major causes of the French Revolution. Today, Kennedy's concerns seem almost quaint, with the federal debt approaching 100 percent of gross domestic product.

Furthermore, in many other respects, the U.S. continues to lose ground. Domestically, while the stock market and economy have picked up somewhat, the unemployment rate of some eight percent remains stubbornly high, with a persistence not seen since the Depression era.[11] Poverty rates are among the highest since the early 1960s,[12] and economic inequality is the highest since the Depression, with the top one percent earning almost 24 percent of the nation's income (as it had in 1928, too).[13] Internationally, while the U.S. reputation has been restored somewhat, American influence worldwide is waning. The U.S. was unable to accomplish its stated missions in either Iraq or Afghanistan, and the biggest global political changes happening right now — the "Arab Spring" and the rise of political Islam — are almost totally removed from any American pull, much less control. Meanwhile, China continues its march toward financial superpower status, with the world's second biggest and fastest-growing major economy.

This multidimensional decline of the U.S. is worrisome for American citizens and leaders alike, of course, and is the principal motive for the fragmentation and bitterness in American political life. Job loss and increasing poverty, in the face of unprecedented corporate and Wall Street wealth (with average CEO pay now almost $13 million[14]), fuel protest and extremism on both the right and the left. The roots of fear and hostility in the Tea Party have much in common with those of Occupy Wall Street; both camps feel marginalized and helpless vis-à-vis those in power, whether in government or corporations. The 2010 "Citizens United" decision of the Supreme Court, essentially allowing unlimited corporate contributions to political campaigns, opened the floodgates for money in politics — an issue that was a serious problem even before that decision. This ruling will strengthen the clout of monied interests in U.S. politics and almost certainly exacerbate the doubt and alienation felt by ordinary Americans. Indeed, a new national poll shows Americans' distrust of government at its highest level ever.[15]

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### America gets in its own way

The polarized political environment — intensified by sharpened rhetoric and bitter invective (e.g., a congressman yelling "you lie" at President Obama during the latter's fall 2009 speech to the chamber) — has rendered almost impossible any effort to address the huge and varied issues confronting the country. Furthermore, the very issue of U.S. decline has itself become part of the political debate, compounding this predicament. Some, like the neoconservative historian and former State Department official Robert Kagan, argue that the decline of America is "a myth," pointing to the global acceptance of American values and principles and the continued supremacy of the country's military.[16] Many other politicians and commentators acknowledge and rue American decline, but bicker about whom to blame.

Two other factors complicate things: the almost fanatical desire of Americans to be No. 1 at everything; and the paradoxical condition that the U.S. can be both the best and the worst at the same time. This is the case, for example, of both healthcare and higher education. No one contests that the best medical care in the world is available in this country. But on almost every statistical measure (e.g., quality and access of healthcare; infant mortality), the average level of healthcare for American citizens underperforms the industrialized world, winding up near the rear.[17] Similarly, the U.S. boasts the world's best universities, but in international comparisons and international competitions, American students fare abysmally.[18]

The main reason for this seeming paradox is inequality. For those who can afford it, the world's best medical care and best universities are there for the taking. But the U.S. has the largest percentage of poor people of any developed country[19] and the most unequal distribution of wealth and income.[20] The poor, often saddled with unemployment, broken homes, violent environments, ineffective schools, and inadequate health insurance, end up dragging down the "averages" for the nation. It is becoming increasingly clear that inequality hurts society as a whole. A recent global study by the International Monetary Fund, for example, found that countries with strong economic growth tended to have greater income inequality than those with weak growth and concluded that "sustainable economic reform is possible only when its benefits are widely shared."[21] Over the past quarter century, this has not been the case in the U.S., where the rich have prospered, and the situation of almost everyone else has stagnated.

### Change the mindset to rise to the occasion

Economic inequality is, in my view, the key to all other aspects of American domestic and global decline. This disparity has widened steadily since the 1970s[22] and is a major factor in the quadrupling of U.S. household debt from 1975 to 2007 (adjusted for inflation).[23] While the standard of living for most Americans remained unchanged during this time, the rich got richer.[24] And the top marginal tax rate in 1963 was 91 percent but by 2003 it had fallen to 35 percent. So the only source for increased tax revenue — the increasingly wealthy rich — was short-circuited by a simultaneous and long-term decline in tax rates for the wealthy. Consequently, the government was starved of increased revenues to cope with the burgeoning poor, and the escalating needs for healthcare, education, infrastructure, etc. As citizens had to borrow more, so did the government, fostering the liquidity crisis both find themselves in now.

These problems did not originate with Obama, or Bush, or any other single president or political party. Over decades, inequality grew, tax rates declined, poverty increased, and household and government debt mushroomed. Over a generation, Americans consumed more than they produced, spent more than they saved — in general lived beyond their means. What took 25 years to develop cannot be remedied in a few years, or by one or two presidential administrations; corrections will take at least a generation. Such plights are not temporary or episodic, but structural and systemic. They are both a cause of and a consequence of global change as well: the end of the Cold War and "bipolarity;" the spread of economic globalization; the sway of transnational movements and organizations; and the rise of new forces like China. As financial expert and author David Rothkopf observes in his recent book *Power, Inc.*, lines have become blurred "between corporations and individuals, companies and states, nations and the global community."[25] The U.S., which so effectively managed the changes of the postwar world, is neither prepared nor equipped to deal with these new challenges.

An even more difficult obstacle for most Americans is psychological — recognizing and accepting that the U.S. is no longer No. 1 in everything, and moving on from that. There are, after all, considerable advantages to *not* being No. 1 internationally: less a target of resentment, blame, and anger; and less frequently expected to intervene on international or global quandaries. The country will more easily be able to approach such issues on its own terms. Becoming less voracious consumers will reduce America's substantial burden on global resources and the environment, too. Similarly, in the domestic sphere, an honest recognition that the U.S. is no longer "the first" or "the best" in this or that will enable it to confront those areas and try to redress them. It is unlikely, for example, that America can restore its global economic competitiveness until fixing the educational paradigm and modernizing infrastructure.

The U.S. will not return to the easy global dominance it enjoyed during the American century. Its formidable military power is now mostly irrelevant, perhaps even counterproductive, in a world where the biggest threats to humanity come from climate change, terrorism, famine, and disease rather than from armies charging borders. America's considerable economic power is not the global juggernaut that it once was. And the "soft power" of consumer society, popular culture, and political schema has lost some of its luster as many other countries have emerged with hipper, more attractive, or more efficient models (like China, Japan, Germany, and Brazil).

While the U.S. may not be No. 1 in any single dimension, it remains a strong and successful society in virtually every area of human endeavor. This is perhaps the key to understanding America's continuing vitality, even in relative decline. There is no other country quite like it, with its combination of democratic institutions, imposing economy, entrepreneurial spirit, large population, abundant territory, and bountiful materials. Harnessing all of this, once again, will require wise and dedicated political leadership, and a spirit of common purpose and compromise. It also will require policies that enable the capable yet provide for the poor. The American economy is in transition from one based on consumption, financial services, and debt to something else, yet to be determined. But because this transition is systematic, it will be long-term, and in the process, many people will be left behind by the old economy or displaced by the transition itself. Those people will have to be supported until the new economy is functioning properly and unemployment stabilizes. This means sacrifices by all Americans, and particularly by those who have benefitted so much from the lopsided growth of the last 30 years, as the country strives anew to make the grade. ■

**David S. Mason** (Butler University), Professor Emeritus of Political Science at Butler University, has written many other books besides *The End of the American Century* alluded to above. *A Concise History of Modern Europe: Liberty, Equality, Solidarity*, 2nd ed. (2011), *Revolutionary Europe 1789-1989: Liberty, Equality, Solidarity* (2004), and *Marketing Democracy: Changing Opinion about Inequality and Politics in East Central Europe*, co-authored with James Kluegel (2000), all were published by Rowman & Littlefield. Mason's body of work further includes *Revolution and Transition in East Central Europe*, 2nd ed. (Westview, 1996), *Social Justice and Political Change: Public Opinion in Capitalist and Post-Communist States*, co-edited with James Kluegel and Bernd Wegener (Aldine de Gruyter, 1995), *Revolution in East-Central Europe: The Rise and Fall of Communism and the Cold War* (Westview, 1992), and *Public Opinion and Political Change in Poland, 1980-1982* (Cambridge University Press, 1985). Mason has won numerous research grants from leading entities such as the National Science Foundation, National Endowment for the Humanities, Rockefeller Foundation, Hoover Institution, American Council of Learned Societies, and National Council for Eurasian and East European Research. While at Butler, he headed the political science department, the international studies program, and the university's global civilizations core curriculum. Mason earned degrees from Cornell University (B.A. in government), The Johns Hopkins School of Advanced International Studies (M.A. in international affairs), and Indiana University (Ph.D. in political science). Email him at dmason@butler.edu.

For footnotes, go online to www.phikappaphi.org/forum/fall2012.