Strategy Research Project

WHY GREAT POWERS RISE AND FALL: HISTORY'S LESSONS FOR THE UNITED STATES

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WHY GREAT POWERS RISE AND FALL: HISTORY'S LESSONS FOR THE UNITED STATES

What is the reason that great powers rise and fall? This is a question that has been asked through the ages as the growth and ebb of power has marched on with obstinate voracity through its historical cycle. Certainly at some point, someone in each power that has risen to the top in its time has pondered the question, "Now that we have risen to the top, how do we stay here?" Judging by historical results, it is evident that even if someone had come upon the answer, it was not well executed since the cycle continues. Although this pattern has occurred for centuries, there is surprisingly little conclusive evidence to answer the question. In fact, it wasn't until Paul Kennedy's work "The Rise and Fall of Great Powers" in 1987 that there was what many considered adequate research and analysis. To formulate a current answer to this question, this paper first provides a concise historical perspective on great power shifts from the 14th to 20th centuries. Building on this historical record and updating it to the United States in today's globally-connected environment, the paper focuses on three key aspects of historical shifts: military power, economic power and culture. From this analysis, three strategic recommendations are proposed for United States leaders to enable the nation to remain as the global power through the 21st century.

Historical Context

Kennedy observed that the rise and fall of great powers are closely linked to two characteristics: the rise and fall of a power's economic strength relative to its competitors on the global stage, and the corresponding rise and fall of its military power that follows, generally after the passage of some time. A brief look at the last millennium indicates the type of shifts Kennedy considered.

In the centuries leading to 1500, several important power centers developed concurrently around the world, with no single power dominating. Ming China, the Ottoman Empire, Russia, Japan and West-Central Europe were powers within their respective regions, and at the time it was by no means clear that West-Central Europe would eventually rise to the top.[1] About 1500, however, one key difference developed: all of the power centers except Europe were led by a centralized, unifying authority that maintained a “uniformity of belief and practice…in commercial activities and weapons development.”[2] This was a marked advantage for the European societies because they were able to act more independently and adapt more quickly to changes in commerce and weaponry than their global counterparts. This, in turn, placed the European societies on an “upward spiral of economic growth and enhanced military effectiveness”[3] that by the middle of the 16th century propelled them to the top of the global power pyramid. Here we find the first example of Kennedy’s thesis that relative economic strength, which in turn enables military power, is the most fundamental reason for a great power’s rise. Although applied here to a region rather than a nation-state, the concept still holds true because it was the key advantage this region held over other contemporary powers.

From the mid-16th to the mid-17th century, while West-Central Europe remained the world’s great power region, no single nation-state within that region was able to achieve lasting dominance. That is not to say that no one attempted to do so; indeed, the Habsburg Empire, backed by enormous economic resources, made a long but unsuccessful quest for dominance on the continent for nearly the entire century. But why was it unsuccessful if relative economic strength is the precursor to great power status? For too long a time they persistently pursued war after war, draining their resources faster than their economic base could replace them. As Kennedy explains, they failed "to recognize the importance of preserving the economic underpinnings of a powerful military machine."[4] This classic case of failure to achieve dominance is a foreshadowing of what Kennedy contends causes great powers to fall: a shift in relative economic power and with it, a shift in military dominance.

The years from 1660 to 1815 brought a significant change to the European stalemate as one nation within the region ultimately rose to global power. During this period, the cost of raising and maintaining armies became prohibitively expensive. This fact gave a competitive advantage to a society that developed sophisticated banking and finance systems capable of handling the credit, taxation and other complexities associated with the funding required for large armed forces. Britain was by far the most advanced in its financial systems, and its embrace of the Industrial Revolution far exceeded that of any of its European rivals. Consequently, Britain alone arose on the next spiral of economic development until it became unrivaled in its economic strength. Britain used this economic power to fund its colonial expansion and the significant military force necessary to protect it.[5]

For three decades after 1815, Britain's economy roared. By 1845 Britain's Gross Domestic Product (GDP) comprised an astounding 30% of global output.[6] It wasn't to last, however, as the world economy steadily became more globalized and an economic tidal shift began from this tiny island state to a mammoth continental-sized nation whose indigenous resources, demographics and ability to capitalize on the latest technology created an economic capacity far exceeding anything Britain was able to muster. As early as 1870, the United States had matched Britain's economic output and by World War I had doubled it.[7] Russia began to share in this tidal shift, marching on a path to eclipse British GDP, enabled simply by the sheer size of the nation and its available resources.

Here is the second illustration of Kennedy's thesis as we see global power following the shift in economic strength. From 1914 to 1990, the world witnessed a truly meteoric rise of U.S. economic power. After World War I, the U.S. was, in fact, the global superpower, but it had not yet taken a leadership role as it retreated into isolationism. World War II forced the U.S. to channel its economic might into its armed forces and by the end of the war, its global military dominance matched its existing economic supremacy. Following World War II, the U.S. unquestionably stepped into the world leadership ring and assumed the mantle of global power from Britain.[8]

The last half of this period provides a recent example that has occurred numerous times in the last few centuries: a challenge to a global power's dominance that was unsuccessful because it was not supported by a matching increase in relative economic power. The U.S.-Soviet arms race stretched over 30 years until the fall of the Berlin Wall in 1989; the fundamental reason for the Soviet Union's demise was its decline in relative economic power. Notes one researcher, "By the 1980s, Soviet gross domestic product was flat, and the United States twisted the knife by accelerating the arms race. The Soviets could not compete and exhausted themselves trying."[9]

The argument is *not* to say that the relative economic decline of the Soviets, Britain or any other nation in history has always been an imminent event that was completely out of the nation's control. Indeed, sometimes seemingly insignificant decisions, made over years and decades, exert an influence on social, economic and other forces that contribute to what eventually becomes a powerful tidal force in the rising great power's favor. In the Soviet-U.S. discussion, the tidal force swept in the direction of the U.S. It's quite possible that had the Soviets made different decisions early in the 20th century (*e.g.*, increasing the amount of GDP invested in productivity that would, in turn, promote further economic growth), events may have turned out differently.

In Professor Jeremy Black's analysis of Kennedy's work, Black acknowledges that economic strength and military power are certainly linked but suggests that these smaller decisions and factors carry more weight than Kennedy gave them credit.[10] Soft power, national ideology, alliance networks and decisions made to further the nation's or monarch's glory, he argues, are examples of things that sway powers to and from greatness more so than Kennedy allowed.[11]

In reality, Black's argument for the effect of smaller factors complements rather than invalidates Kennedy's conclusions because he shows that although relative economic strength and its link to military power are the great power's main determinants, economic strength doesn't just happen upon a nation. As noted earlier, it is the result of any number of smaller decisions made by the nation and others, taken together with the conditions and events in which the nation finds itself. The premise of numerous smaller forces having a large cumulative effect on a greater force is similar to management consultant Jim Collins' concept of The Flywheel Effect.[12] A huge flywheel isn't set in motion instantaneously, rather it gains momentum bit by bit from the push of many forces over a long time period, with some forces providing a large push but most of them small. Once the flywheel is spinning, it maintains its momentum for an exceedingly long time, even without a continuous pushing force. In fact, it continues to spin forcefully even if a few small counter forces act against the momentum and slightly slow the flywheel. As this concept illustrates, the cumulative effect of countless small forces applied in the same direction can create a huge force possessing incredible inertia. The application of a limited number of braking forces has little effect on the flywheel's total momentum and what little effect it has can easily be offset if accelerating forces are applied relatively quickly. However, even small counter forces, if extended long enough and not offset, can and will stop a giant flywheel and eventually change its direction.

Applying this analogy to the rise and fall of great powers, economic strength is the flywheel while the numerous decisions, circumstances and events are the smaller forces that work to either increase, sustain or reduce its momentum. It is a system of systems in which small forces over a long period dictate the speed and direction of economic strength, which in turn provides the means for a nation to build and maintain military power to protect and preserve the nation's position. History shows that when the economic flywheel begins to lose momentum, a drop in military power follows, though not immediately, since the flywheel slows gradually. Meanwhile, if another nation's flywheel has gained sufficient momentum, then the climactic event results: global power shift.

Key Principles

Two principles borne out of the flywheel analogy and the preceding brief analysis of the past millennium are: (1) Overwhelming economic strength can provide substantial short-term forgiveness for bad decisions, and (2) no amount of economic strength can withstand repeated bad decisions, to include refusing to change a long-standing ineffective policy, over the long term.

At the beginning of the U.S.-Soviet arms race, the first principle was evident with respect to the Soviets and their great economic resources. The second principle came into play in that by the 1980s, when it had become obvious to the entire world that the Soviet Union was no match economically for the U.S., it was far too late for Soviets to do anything about it. These two nations' respective economic flywheels were spinning at vastly different speeds, and the U.S.'s superiority truly was imminent. The window for influencing the condition the Soviets found themselves in had been open many years earlier but was now closed—locked and sealed by the solidified effects of short-sighted decisions made long ago.

Certainly, this begs the question: can Russia today chip away at the seal and open the window that was so tightly closed by the former Soviet Union? Could a nation other than Russia place itself on a path to rise and challenge today's great power? Undoubtedly, it depends on the choices made by nations involved. Decisions that preserve a power's relative economic base over the long term sustain the momentum of its flywheel. Those decisions that do not open the window for other potential powers. The most difficult aspect of this relationship between current-day decisions and future power is that it requires (1) accurate foresight as to the future effects of current day decisions, and (2) the will to make and follow through on current-day decisions that produce a short-term hardship in exchange for a long-term beneficial effect—particularly when "long-term" spans multiple generations.

This naturally leads one to consider what happens now to the U.S. Two key questions are: Is the U.S. economic flywheel losing momentum and ceding relative economic supremacy irretrievably to other nations? Is the window still open for the U.S. to maintain control over its relative economic power in the world or has it already made the decisions that have sealed the window shut?

Experts today forecast a future shift in relative economic power away from the U.S.,[13] but that shift's extent and speed still depends on decisions American leaders will make. Will they make decisions that slow our flywheel or ones that accelerate it? Three areas that we will now examine where decisions will have a particularly important flywheel effect are our military, our economy and the aspects of our culture that enable the current wealth transfer from West to East.

Military Choices

One of history's common threads is that as a great power begins to acquire economic strength, it channels its resources into further developing its economic base, whether that was industrial as in the 19th century or technological as it is today. As the great power gains prominence and creates a gap from trailing nations, it typically begins to channel a greater portion of its resources into military power. This occurs not only because the power now has a position of wealth and prominence that it wants to protect (even in the absence of an obvious threat), but also because it realizes that there's something about being at the peak of power that makes one a target for others.

It is precisely this difficulty of properly balancing actual security needs with military capabilities that consistently caused great-power nations problems throughout history. Although it may seem intuitively to be the case, it is not true that the same actions and decisions that propelled a power to the peak of greatness will necessarily preserve its position. Consider this quote from Kennedy's work almost 20 years ago:

> If, however, too large a proportion of the state's resources is diverted from wealth creation and allocated instead to military purposes, then that is likely to lead to a weakening of national power over the longer term. In the same way, if a state overextends itself strategically—by, say, the conquest of extensive territories or the waging of costly wars—it runs the risk that the potential benefits from external expansion may be outweighed by the great expense of it all—a dilemma which becomes acute if the nation concerned has entered a period of relative economic decline.[14]

It is evident that the U.S. is not pursuing conquest in the manner exemplified by Roman, Greek and British colonies and empires. However, the U.S. could easily overextend itself in areas that are far nobler, such as its commitment "to promote effective democracy"[15] around the world. The choice to use the military heavily to do that in the Middle East has proven to be proportionally as expensive as the belligerent conquests of historical powers. As the sole global superpower, the U.S. has taken on a significant cost burden in choosing to use its military to hasten democratic ideals in other countries. Supplemental funding for Iraq and Afghanistan alone was over $800 billion from FY2002 to FY2008,[16] enough to fund Defense Department base budgets for about two years during that period. Consider also that these base budgets exceed nearly all other nations' military budgets in total,[17] and the Navy's "battle fleet is still larger than the next 13 navies combined -- and 11 of those 13 navies are U.S. allies or partners."[18]

Military power can be used defensively for protection or offensively for conquest. Either one, if not wisely controlled, can begin to consume a nation. In hindsight, historical powers offensively spread their empires to such an extent that the cost of defending the territory ultimately led to the powers' economic downfall. But can a similar argument be made for defensive actions? If, for example, a nation defines its security perimeter as a moderate distance from its borders to provide a buffer zone for greater protection, there will be a commensurate increase in cost when compared to defending at the border, since the area to defend is now larger. If a nation takes this concept further and extends its security interests across oceans, then its defensive posture can be quite costly if the number of flashpoints requiring resources proliferates. It comes back to making the right decisions about balancing the actual threat to a nation and the defensive capabilities that nation maintains. This is not to suggest that the U.S. has necessarily made a mistake in getting involved in conflicts for freedom in the Middle East, but it is clear the U.S. must make well-informed choices about balancing the ends and means of future efforts if it wants to maintain enough relative economic strength to preserve its position in the dynamics of global power.

One balancing approach promoted by the Center for Strategic and International Studies (CSIS) is investing in the concept of Smart Power, defined as follows:

> It is an approach that underscores the necessity of a strong military, but also invests heavily in alliances, partnerships, and institutions at all levels to expand American influence and establish the legitimacy of American action. Providing for the global good is central to this effort because it helps America reconcile its overwhelming power with the rest of the world's interests and values.[19]

This concept fits well within the theme of using resources wisely to maintain our level of global power and provides an approach to balancing soft and hard power, recognizing a need for both. Smart Power also emphasizes the importance of investing in legitimacy as a way to ultimately reduce the overall cost of advancing the secure world environment we desire. As the CSIS report states, “If a people or nation believes American objectives to be legitimate, we are more likely to persuade them to follow our lead without using threats and bribes. Legitimacy can also reduce opposition to—and the costs of—using hard power when the situation demands.”[20]

There is no simple answer to the question of the right level of military spending, but what is clear from history is that we must make wise and sometimes difficult choices to preserve long-term U.S. power. Offensive overextension of the military created an economic strain that acted as a dragging force on the flywheels of past great powers. Today, a similar decline could happen if the U.S. were to overextend itself defensively, either by maintaining an unrealistically large gap between it and the next powerful threat or by persisting in a mindset that our defensive posture must extend to distances we cannot realistically maintain economically. That may seem a bit counterintuitive, since it would appear that any military pullback would only allow another nation to more quickly match our capabilities. But this must be viewed in the context of the entire economy: our attempt to outpace another power may consume such a large GDP portion that it only hastens our downfall. If a nation’s fiscal position is weakening from rising national debt, constrained budgets and a weak economy, it only makes the balancing of security and survival all the more critical.

Economic Choices

Economic stability is paramount to a great power’s remaining in power. Continued economic strength is quite simply the source of all means by which the power pays for its military security, maintains its industrial or technological base, and sustains the myriad of systems that support its status.

An important aspect of economic stability is the nation's fiscal strength as measured by its ability to generate the long-term revenue stream that meets or exceeds its expenditures. While nations certainly have characteristics unique from individuals, a few broad principles apply to both. One is that fiscal strength is bolstered by a sensible balance of spending and revenues. The phrase often applied to individuals is "living within your means." Essentially, this warning says that if you spend more than you earn and acquire a debt burden that you are unable to repay, financial disaster will ensue. While the "disaster" debt levels are certainly different for nations than individuals, there has to come a point, even for a nation, where its creditors lose confidence. It is not clear where that level is for the U.S., nor should one presume we are near it. It is, however, worthwhile to note the following:

- The nation's recent history of deficit spending will not soon subside. As of December 31, 2008, our national debt was $10.7 trillion,[21] which is approximately 75% of the projected U.S. GDP for 2008.[22] The Office of Management and Budget projects growth in 2009 GDP to be about $700 billion; recent estimates of this year's deficit are already at $1.75 trillion. With the U.S. Government working to stimulate the nation's economy out of its current recession, our national debt as a percentage of GDP will continue to grow.
- An increasing debt-to-income ratio degrades fiscal stability. Regardless of whether the U.S. is currently at a sustainable level of debt or not, the

inescapable conclusion is that a weak economy and a national debt increasing faster than GDP puts the U.S. on a more unstable fiscal foundation.

- Financial prudence counsels that the best protection against future uncertainties is to maintain a strong fiscal position. This counsel applies as much to nations as it does to individuals. A nation must not assume that its economic future will be strong enough to allow it to recover from whatever spending decisions it makes today. The best way for a nation to remain in control of its own destiny is to ensure its fiscal position is unquestionably strong and will not be jeopardized by even the most drastic of unforeseen economic events.

No individual or business who now faces financial difficulties planned to be in this situation when they entered into past financial arrangements. As the flywheel analogy illustrates, numerous decisions that seemed of little economic consequence at the time they were made can have a large negative cumulative effect over the long term. The *perceptible* cumulative effect of these decisions is often delayed significantly from when they were made, resulting in slow but sure shifts in economic strength around the globe that can be compared to an ocean tide: both move relatively slowly within their respective time spans, but are also regular and unstoppable.

One trend that underpins the shift of the economic tide is that the wealthiest countries develop a tendency to trade more with other countries. Sometimes this occurs out of necessity, where the wealthy country doesn't have domestic reserves of a particular natural resource and it imports a reasonable (*i.e.*, not excessive) amount of the resource to keep its domestic economy operating at peak efficiency. Sometimes it occurs for economic reasons, such as when a wealthy nation can outsource production and free up capacity to generate even more wealth. But other times, it occurs solely out of convenience. This situation can materialize when a wealthy nation loses part of the competitive spirit that served it so well when it was rising and now purchases the product from others simply because it has the means. In other words, it is more convenient to purchase a product from someone else "just because we have the money" rather than put forth the effort to make it with our own labor, or change consumption patterns to do without, or develop an alternative. This type of trade transfers excessive wealth to the supplying country and contributes to the slow, steady rise of its economic strength. The lack of productive effort or will in the wealthy country acts as a braking force on its flywheel, while the wealth transfer and increased production in the supplying country accelerates its flywheel. This phenomenon of wealth transfer is significant because it is essentially the undercurrent that drives the shifting tide of economic power around the globe.

Cultural Choices That Enable Wealth Transfer

The National Intelligence Council (NIC) recently published a report that examines selected large, global trends and discusses their implications from now to the year 2025. One of its significant findings is that "[i]n terms of size, speed, and directional flow, the global shift in relative wealth and economic power now under way—roughly from West to East—is without precedent in modern history."[23] While nations do not simply give away their wealth to countries who may legitimately challenge their supremacy, this transfer happens under the guise of necessary trade between the nations.

The report explains that "[t]his shift derives from two key sources. First, sustained increases in oil and commodity prices have generated windfall profits for the Gulf states and Russia."[24] The U.S. imported 2.2 billion barrels of oil in 2007 just from OPEC countries, and through October 2008 was on track to import the same amount in 2008.[25] At an average price of $70 per barrel in 2007 and $90 per barrel in 2008,[26] the U.S. alone is transferring wealth of approximately $150 billion to $200 billion per year to OPEC countries. Granted, some of this energy trade is necessary for the U.S. economy to maintain a healthy level of growth. Nevertheless, a significant part is convenience: feeding the habit we have for cheap energy. The technology exists for alternative energy sources that would reduce our oil dependence, but there is little pressure to develop them. Within the American consumer there is a sizeable element of not wanting to be inconvenienced by being forced to make a change. Consistent with the American culture's short-term focus,[27] we simply assume we'll address whatever problems may arise later. The issue is, when "later" comes and the urgency to do something is overwhelming, we may well find that the changing tide of economic power has irreversibly shifted, and that the window the U.S. had for effecting timely and positive change has been sealed. Stated another way, we may find that the cumulative effect of too many braking actions have slowed our flywheel to the point that we cannot accelerate it in time to match the increasing momentum of a rising power's flywheel.

The NIC report continues: "Second, relatively low labor costs combined with certain government policies have shifted the locus of manufacturing…to Asia. Strong global demand…has made for wide economies of scale…particularly in China and India."[28] U.S. trade with China through just the first 10 months of 2008 resulted in a trade deficit of over $220 billion.[29] Once again, it is important to distinguish between what is healthy and what is excessive. Although the U.S. currently outsources much of the low-end assembly work to China while retaining the more profitable portions such as engineering and marketing, the strong U.S. demand for Chinese goods combined with China's restrictive trade practices results in a measurable advantage for China.[30] Finally, the NIC report concludes, "[t]hese shifts in demand and supply are deep and structural, which suggests that the resulting transfer of economic power we are witnessing is likely to endure."[31] What we find, then, is that whether we intend to or not, we as a nation are actually precipitating the next global shift in economic power.

Another aspect of this wealth transfer worth examining is how the recipient nations treat this newly found wealth. Some is channeled toward improving the nation internally, but there is enough left over in China, India and OPEC countries in particular for them to establish Sovereign Wealth Funds (SWFs).[32] SWFs are government-owned pools of capital that nations use to invest in companies around the world. Large investments in domestic companies by foreign SWFs could potentially expose the U.S. to greater financial influence by the foreign governments that own them, and those governments may seek ends contrary to U.S. interests. The possibility that governments may have ulterior motives beyond simply a passive investment for profit—foreign policy influence or economic disruption to name two—are risks that should encourage the U.S. to help develop global rules and regulations governing SWFs. A buildup of SWF investment also makes the U.S. vulnerable to other governments that could threaten a selloff “to induce financial panic.”[33] Overall, a culture of consumption leading to excessive wealth transfer and overdependence on SWF investments has negative implications.

In the end, we should recognize that some level of SWF investment and wealth transfer will always be necessary in our increasingly globalized economy. Indeed, that is how global trade and interdependence occurs. It is economically healthy for a country not to be isolationist, and it is not realistic for a country to be completely self-sufficient. But when the trade and investment imbalances become excessive, then the economic tide slowly begins to turn and the power shift begins. History shows repeatedly that this shift is imperceptible at first, but like the tide rolling in or the flywheels spinning, it reaches a point where it is unstoppable.

A strategic insight we can apply from the current credit crisis and its devastating impact on our economy to the rise and fall of nations is that there’s still truth in the adage of living within your means. A high-debt, low-savings-rate populace can operate without trouble as long as some base assumptions remain valid: reasonable interest rates will continue, incomes will remain sufficient to make debt payments, and asset prices securing the debt will remain at levels that allow the debt to be paid should the borrower default. Unfortunately, assumptions such as these are not founded on immovable bedrock.

Not long ago, Lehman Brothers and AIG were part of our financial system’s bedrock. They were long-standing institutions with a history of impeccable credit such that Wall Street considered them impervious to any crisis. Today, one is bankrupt and the other survives only because of multiple Government bailouts. By involving themselves deeply in mortgage-backed securities and credit default swaps, which were markets they believed they understood, they unwittingly laid the groundwork for their own collapse. In a pattern similar to cases discussed earlier, these two institutions made decisions that seemed reasonable and inconsequential in good economic times, but turned out to be a death sentence as the mortgage market declined.

What does all this have to do with America as a great power? Simply this: the U.S. Government currently enjoys the status in the world as an institution that cannot fail. And while the analogy to Lehman Brothers and AIG is not directly parallel, the underlying message is applicable: seemingly innocuous decisions today can have devastating future effects, especially in times of crisis. For the U.S. Government, those decisions right now consist of ones that push the nation farther down the path of reduced fiscal stability. They act as a drag on our economic flywheel and make us more vulnerable to unforeseen future crises.

Of course, our nation hasn't always been this way. In some respects, this discussion doesn't seem consistent with the values and principles upon which our great nation was founded. What has changed is that our national culture has transitioned from one of subordinating individual desires to the good of the nation to precisely the opposite. We expect the nation to serve us. We value material things and money.[34] As a nation, we have collectively become more focused on convenience and even extravagance rather than making sacrifices for the common good, such as reducing spending to control deficits and our national debt. We fund our habits that are too difficult to change, such as convenient energy sources or social insurance benefits that cannot be sustained given future demographics.[35] These unsustainable behaviors sap a nation's economic strength that history shows us time and time again results in the shift of great power.

We avoid the cutbacks we intuitively know we must do because we can be certain that our cutting back will produce short-term sacrifice, but we're not so sure it will result in long-term gain—at least, not a gain in our lifetime from which we will reap any benefit. This culture of short-term gain extends into our political system as well, adding great difficulty to arriving at a solution. In fact, one could easily argue that it is the collective attitude of the nation's citizens that enables and permits this culture within American politics. The current political system "rules" encourage short-term decisions that get officials re-elected. The challenging decisions with difficult trade-offs that produce long-term benefits are politically unpopular, and therefore run counter to an official's own desire to do what it takes to get re-elected.

Because great power durations span generations, if not centuries, it is inevitable that the collective attitude of a nation will change over time. This is good and even necessary in many ways, since the old methods of doing things won't work forever. But it is negative if the attitude changes cause the nation to lose the sense of purpose that was the foundation of its rise and begin to make choices that trigger its fall from power.

Recommendations

It is imperative that we as a nation act now to remove decelerating forces on our economic flywheel and work toward rebuilding the momentum it once had. In order to do that, we must take the following steps.

Reflect Carefully on History. We must be able to recognize that as much as we think it is different this time, the same patterns of great power overreach and economic power shift seen over hundreds of years are manifesting themselves today in the U.S., albeit in slightly different forms. Whereas historical great powers overextended themselves in conquering new territory, the U.S. may find itself overextended in the magnitude of its support to democracies around the world. While previous great power shifts have come as the result of large-scale wars, we may see the impetus today is the crushing pressure of a global economic meltdown. Hence, we must reflect carefully on history's lessons and apply its insights wisely.

Reform Our Spending and Consumption Patterns. We need to realize that our current spending and consumption patterns have been influenced by the thinking that past economic growth will continue unabated or that we as a nation are as invincible as the once-mighty Lehman Brothers and AIG institutions on Wall Street. In reality, we must make the hard choices to adapt our spending in such areas as military and social insurance programs not just to reflect current conditions, but to ensure long-term survival. When it comes to dealing with political unpopular choices we must, as one former comptroller general of the United States put it, "get the ball across the goal line rather than punt it down the field."[36] In short, we must develop a sustainable long-term plan to eliminate deficits and reduce our national debt to strengthen our financial footing and vastly improve the chance of surviving a severe economic shock.

Reinvigorate an Attitude of Serving our Nation. This is arguably the most important aspect of what we must do yet the most difficult. This attitude of service is embodied in a sense that is defined as self-denial or self-sacrifice for the good of the nation. It is the spirit felt by those who truly embraced John F. Kennedy's immortal words as they listened to his inaugural address: "ask not what your country can do for you—ask what you can do for your country."[37] It is ultimately the attitude that will truly enable the nation to successfully implement the spending and consumption reforms that are inherently part of the previous recommendation.

Similar to the patterns of historical great powers, our national behaviors have migrated from a willingness to sacrifice and a focus on internal improvement to an attitude of entitlement and over-indulgence, with a bit of complacency mixed in. These attitudes underlie actions that result in a wealth transfer that, the longer it goes on, is like a giant tide that cannot be turned back or the push of countless forces that accelerate another nation's flywheel and slow our own. As history has shown, nations on the beginning slope of global power decline perceive the condition as a just a lull in their advance. They perceive that excessive trade increases and military capability expansions are necessary for survival, but in the end, they find these flywheel-slowing actions are like trying to escape quicksand by fighting harder—it only hastens one's demise. The United States may yet have time to counteract the effects of these historical trends, and needs to consider ways to implement this paper's three strategic recommendations to start a national renewal. No nation in history has successfully done so; nonetheless, the United States has shown the resiliency and capability to defy historical precedents. Perhaps our great nation can make yet another mark on history.

Endnotes

[1] Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987), 3-16.

[2] Ibid., xvi. See also the expanded discussion of this phenomenon at 16-22.

[3] Ibid., xvii. See also 22-30.

[4] Ibid., 55.

[5] This is, of course, a very abbreviated description of a rather tumultuous period—so much so that some may take exception to its oversimplification. However, even if one were to look at each of the minor trends within the period it would show that the major trend described in this paragraph applies. For example, Napoleon was a dominating force from the late 1790s to 1815, but was never able to conquer Britain despite numerous blockades and embargos because Britain's economy was resilient enough to withstand the stresses. Napoleon, on the other hand, continued his costly pursuit of new glories far beyond France's capacity to pay for them. So while it is true that Napoleon's attributes and decisions, such as his tactical brilliance and alliances, most certainly affected the short-term events of the period, they were not enough to overcome the truly overriding forces that dictated the long-term trend. Britain's economic superiority *relative to France* and Napoleon's economic overstretch, taken together, ultimately favored Britain and sealed Napoleon's demise. Could it have been different? It is an interesting speculation, although it is only that. But it does seem reasonable that if France had embraced the Industrial Revolution as aggressively as Britain did and opted less for glorious conquests and more for preserving and building its economic base, the outcome may have been very different indeed. The other battles and leaders during this period would, through similar analysis, fall into the category of minor trends within the overarching trend of Britain's rise based on its relative economic superiority. For a more thorough discussion of this period, see Kennedy, *Rise and Fall*, 73-139.

[6] Fareed Zakaria, "The Future of American Power: How America Can Survive the Rise of the Rest," *Foreign Affairs*, May/June 2008, http://www.foreignaffairs.org/20080501facomment87303-p10/fareed-zakaria/the-future-of-american-power.html (accessed January 26, 2009).

[7] Ibid.

[8] This period is covered in detail at Kennedy, *Rise and Fall*, 275-372.

[9] Bruce Berkowitz, "Strategy For A Long Struggle," *Policy Review*, no. 141 (February/March 2007), http://www.hoover.org/publications/policyreview/5516406.html, (accessed January 26, 2009).

[10] Jeremy Black, *Great Powers and the Quest for Hegemony* (New York: Routledge, 2008), 26.

[11] Ibid., 10-15.

[12] James Collins, *Good To Great: Why Some Companies Make The Leap—And Others Don't* (New York: Harper Business, 2001), 164-165.

[13] See, for example, the National Intelligence Council's *Global Trends 2025* report or the *CSIS Commission on Smart Power*, both referenced later in this paper.

[14] Kennedy, *Rise and Fall*, xvi.

[15] George W. Bush, *The National Security Strategy of the United States of America* (Washington, D.C.: The White House, March 2006), 3.

[16] Amy Balasco, *CRS Report for Congress: The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, (Washington, D.C.: Library of Congress, Congressional Research Service, updated July 14, 2008), 16, http://assets.opencrs.com/rpts/RL33110_20080714.pdf (accessed February 7, 2009).

[17] Petter Stålenheim, Catalina Perdomo and Elisabeth Sköns, "Military Expenditure," in *SIPRI Yearbook 2008: Armaments, Disarmament and International Security*, (Oxford: Oxford University Press, Stockholm International Peace Research Institute, 2008), http://yearbook2008.sipri.org/05, (accessed February 28, 2009). According to this report, the U.S. accounted for 45% of total world military spending in 2007, followed distantly by the UK, France, China and Japan with 4 to 5 percent each. The 15 countries with the highest military spending account for 83% of the world total, see Anup Shah, "World Military Spending," March 1, 2009, http://www.globalissues.org/article/75/world-military-spending (accessed March 2, 2009).

[18] Robert M. Gates, "A Balanced Strategy: Reprogramming the Pentagon for a New Age," *Foreign Affairs*, January/February 2009, http://www.foreignaffairs.org/20090101faessay88103/robert-m-gates/how-to-reprogram-the-pentagon.html (accessed February 27, 2009).

[19] Richard L. Armitage and Joseph S. Nye, Jr, cochairs, *CSIS Commission on Smart Power: A Smarter, More Secure America,* (Washington, DC: The CSIS Press, 2007), 7.

[20] Ibid., 6.

[21] Information obtained from U.S. Treasury, Bureau of the Public Debt, "The Debt to the Penny and Who Holds It," http://www.treasurydirect.gov/NP/BPDLogin?application=np, (accessed January 4, 2009). This figure consisted of $6.4 trillion in debt held by the public and $4.3 trillion in intragovernmental holdings. Debt held by the public is generally in the form of Treasury securities, Savings Bonds, etc., while intragovernmental holdings are exemplified by the U.S. Government's borrowing from surpluses in the Social Security Trust Fund to fund current expenditures. In light of this distinction, one could argue that debt held by the public is "hard" debt in the sense that defaulting on it would be viewed as the ultimate loss of confidence in the U.S. Government's ability to pay its debts. The Government has more flexibility with intragovernmental holdings since it could, for example, legislate changes in future Social Security benefits or payroll taxes that could relieve it from the need to pay back some portion of the borrowing it has done from the Social Security Trust Fund. While some may still view this as a form of default, it would not have the same degree of negative effect on the world's confidence in the U.S. Government. Despite this distinction of the two components of the debt, it is appropriate to use the entire $10.7 trillion debt figure in the body of the paper because it indicates the level of the truly relevant issue, which is the degree to which the U.S. Government has become accustomed to spending in excess of uncommitted revenues.

[22] Calculated from information at U.S. Office of Management and Budget, *Historical Tables, Budget of the United States Government, Fiscal Year 2009* (Washington, DC: U.S. Government Printing Office, 2009),25, http://www.whitehouse.gov/omb/budget/fy2009/pdf/hist.pdf (accessed January 4, 2009.

[23] National Intelligence Council, *Global Trends 2025: A Transformed World* (Washington, DC: U.S. Government Printing Office, November, 2008), 7.

[24] Ibid.

[25] Calculated from data produced by the Energy Information Agency, United States Department of Energy, “U.S. Imports by Country of Origin,” http://tonto.eia.doe.gov/dnav/pet/pet_move_impcus_a2_nus_ep00_im0_mbbl_a.htm (accessed January 4, 2009).

[26] Calculated from data produced by the Energy Information Agency, United States Department of Energy, “Weekly All Countries Spot Price FOB Weighted by Estimated Export Volume (Dollars per Barrel)” http://tonto.eia.doe.gov/dnav/pet/hist/wtotworldw.htm (accessed January 4, 2009).

[27] See Richard D. Lewis, *When Cultures Collide,* 3rd ed. (Boston: Nicholas Brealey Publishing, 2006), 179-186.

[28] National Intelligence Council, *Global Trends,* 7.

[29] U.S. Census Bureau, “Foreign Trade Statistics,” http://www.census.gov/foreign-trade/balance/c5700.html#2008 (accessed January 10, 2009). While this is measured in final product dollars and is therefore slightly skewed, the fact remains that the U.S. is transferring a significant amount of wealth to China. For a detailed discussion of how trade data is skewed by measuring in final product dollars, see U.S. Department of State, “Background Note: China,” October 2008, (U.S.-China Economic Relations section) http://www.state.gov/r/pa/ei/bgn/18902.htm (accessed November 10, 2008).

[30] U.S. Department of State, “Background Note: China,” October 2008, http://www.state.gov/r/pa/ei/bgn/18902.htm (accessed November 10, 2008).

[31] National Intelligence Council, *Global Trends,* 7.

[32] For a more thorough discussion on Sovereign Wealth Funds and their implications on the U.S., see Daniel W. Drezner, “The Foreign Policy Implications of Sovereign Wealth Funds,” prepared testimony for the Senate Foreign Relations Committee, June 11, 2008, http://foreign.senate.gov/testimony/2008/DreznerTestimony080611a.pdf, (accessed November 15, 2008).

[33] Ibid., 5.

[34] Lewis, *When Cultures Collide,* 179.

[35] The U.S. Government Accountability Office projects that social benefits may consume all expected revenue sources by the year 2030. See Gene L. Dodaro, *Long-Term Fiscal Outlook: Long-Term Federal Fiscal Challenge Driven Primarily by Health Care*, Testimony Before the Committee on Finance, U.S. Senate, (Washington, D.C.: U.S. Government Printing Office, June 2008), 4, http://www.gao.gov/new.items/d08912t.pdf (accessed February 27,2009).

[36] David M. Walker, “What’s the Country Need? A Fiscal Triple Play,” http://www.pgpf.org/nesroom/oped/usatoday (accessed February 27, 2009).

[37] John F. Kennedy, “1961 Inaugural Address,” http://www.historyplace.com/speeches/jfk-inaug.htm (accessed March 11, 2009).