

# INTERNATIONAL AND STRATEGIC STUDIES REPORT



OCT 26, 2016

ISSUE. 40

Institute of International and Strategic Studies, Peking University

## Is the American Century Over?

By Joseph Nye \*

The concept of the American Century was first introduced in 1941 by Henry Luce, an American editor whose purpose was not to describe the world at that time but to resist isolationism and to urge the Americans to become involved in WWII. Since then, the concept of American Century has been widely used.

### **The Rise of the United States and the Provision of Global Public Goods**

Looking back into history, the United States became the largest economy in the world around 1900. And it became crucial to the global balance of power in 1917, when President Woodrow Wilson sent 2 million men to Europe, tipping the balance of power in WWI against Germany and in favor of Britain and France. In the 1920s and 1930s, though the United States was the largest power measured by military and economic strength, it decided to turn inwards rather than trying to produce international order. And in the 1930s, the United States basically refused to participate in the League of Nations that Woodrow Wilson had suggested and it put up trade barriers which restricted trade. It didn't produce what are called global public goods which are available to all and none can be excluded. While in the 19th century, the global public goods such as freedom of the seas, relatively stable international currency, relatively open international trading system and so on were provided largely by Britain. Britain did this because it is not only good for its own interest but also for the others.

In 1930s, nobody was standing up to aggression by Nazi Germany and Imperial Japan, or nobody was standing up for international free trading system or currency stability in the time of banking crisis. And the result in the 1930s is a decade which is marked by severe economic depression as well as by genocide and the onset of WWII.

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If big countries act as a free-riders the way small countries do, then public goods don't get provided. So what happened in the 1930s was that the United States had become the largest country but didn't step into the role that Britain used to provide in producing international order with global public goods. Ironically, as a persuasive political leader, President Roosevelt was unable to persuade the American people, so Luce used the term to try to persuade the Americans to become involved but they didn't want to do so, and the only reason the Americans finally got involved in WWII was because of the Japanese attack.

The big change in American policy came in 1946 and 1947 when President Harry Truman was told by the British that they could no longer protect Greece and Turkey from Soviet aggression and could no longer send ships to police the Eastern Mediterranean. Truman decided that American ships and troops would replace the British ones. A year later when he was told that Europe was on the verge of collapse because it was still not recovering from WWII, he started the Marshall Plan of economic assistance for Europe.

In 1948, when the Soviet blockaded Berlin, it seemed that it was trying to push the Europeans backwards and push the Americans out of Europe. Truman started the North Atlantic Treaty Organization. And what's interesting is the long tradition of American history with no entangling alliances going all the way back to George Washington, Truman changed that and started a set of alliances which lasted till these days.

After WWII, the Americans basically maintained the international alliance system. They helped the formation of the United Nations and helped to create the Bretton Woods Institutions, composed by the International Monetary Fund and the World Bank which provided security and public goods. That is what has been called the liberal international order and sometimes it is called the American Century. Now some people say that's over. For example, the highly respected newspaper Financial Times has an editorial writer named Philip Stephens who wrote a few weeks ago that globalization was coming to an end. Globalization has depended upon the American order since 1945 and it is in deep trouble. You might argue that something new is happening. For instance, the American political campaign this year has been a rather poor political campaign in terms of the quality of the political rhetoric in discourse. For the first time in seventy years, U.S. has a candidate of major political party who has questioned the American liberal order, the set of alliance that I have just described. Presidential candidates Donald Trump has said that we are going to think again about these alliances because the allies are making too much money from us and we are going to turn away from that. Trump's statement is not likely to occur, my own view is that Trump is unlikely to win the presidency, but it is true that this is the first time in seventy years that a candidate of a major political party has raised the questions about the bedrock of American liberal order that has been in place since the 1940s. There is a view that the United States is in decline, and this view has led to the feeling that if the United States declines, then it cannot preserve this international order.

## **Concerns of Americans Over the Decline of the United States**

But before we take that too seriously, we have to realize that Americans have believed for a long time that they are in decline. The United States was started as a set of colonies by people who broke off from the churches in Britain because they believe they could worship God in a purer fashion. That's why they were called Puritans. Puritans set themselves up to these standards of worshipping God in a better way and always wondered whether

they were living up to the standards. So right at the beginning, the Americans kept asking themselves that— are we in decline and have we kept up to the standards? The same thing occurred in the end of the 18th century when the Americans created a democratic form of government, while at that time most governments in the world were monarchies.

After the Americans created a democratic republic, they began to worry whether they could keep it, whether it would fall apart. The American founding fathers, like Washington and Jefferson and so forth, were worried about whether the United States was in decline politically right at the beginning. And they looked back to the example of the ancient Rome. The Americans have a long history of anxiety about decline in this century or the last half century, and this recurs every decade or two. For example, in the 1960s, when the Soviet Union launched the first satellite into space, there was a widespread view that the United States was in decline and the Soviet Union was the wave of future. We know that this didn't happen because there is no longer a Soviet Union.

In the 1980s, when the Japanese industrial production and manufacturing techniques were very successful, a colleague of mine wrote a book with the title like "Japan as Number One". At that time there was a feeling that the United States was in decline and the Japanese tended to be on the top. In fact, I wrote a book titled *Bound to the Lead* in which I thought there was something wrong with this analysis. In any case we no longer feel that about Japan. More recently after the Great Recession of 2007 and 2008 in which the United States went into recession, China, with a good governmental stimulus package, maintained its 10% growth rates. There was a widespread belief that China would be the wave of the future and the United States was in decline. In fact, in a poll that was taken in 2010, a majority of American people believe that China was already, or soon would be the most powerful country in the world.

These examples tell you that there's something strange about American psychology and they have gone through waves of anxiety about decline. So let's look at the facts and ask— is there evidence of decline? Well I can tell you that having watched the political campaign this year, I began to believe that there is. But leaving that aside, I think we'll survive that and get through it.

### **Absolute Decline and Relative Decline**

When you talk about decline, there are two really different concepts that get emerged together—absolute decline and relative decline. Absolute decline is what happened to the ancient Rome. If you look at the Ancient Romans, they didn't succumb to the rise of another empire. They were not defeated by the Persians or by anybody else. They succumbed to internal civil war and the fact that they had a zero productivity in the economic growth system. And in that condition of civil war and internal decaying, they were unable to protect themselves against the Barbarians. Does the United States fit that model? I would say no. If you look at the United States, it had lots of problems and it always has that. But America has stronger features of objective measures.

First, the United States is doing quite well in demography. According to the UN demographers, the United States is the only rich country which will preserve its ranking as No.3 in the world in 2050. Today the ranking is China No. one, India the second and United States the third. According to the UN demographers in 2050, it will be India first, China the second but the U.S. remain No.3 while Russia, Europe, Japan and all other rich countries will actually suffer demographic decline. Part of the reasons for that is the openness

of United States to immigration. It's a country that continually renews itself through immigration.

Second, energy. Ten years ago, United States is getting more and more dependent upon imported energy and this weakens America. Today, as a result of the so-called shale revolution, United States is likely to be energy-independent in the 2020s. This is a remarkable turnaround that occurs through these technological changes.

Third, America's lead in technology and technological innovation. If you look at the technologies that are going to be the key to the 21st century, generally speaking, people identify biotechnology, nanotechnology and the third generation of information technology. And by most accounts the United States remains the leading country in terms of innovation.

The fourth factor which sort of underlies that technological change is the structure of higher education in universities. According to Shanghai Jiao Tong University which ranks universities globally of the twenty top universities in the world, 15 of the 20 are located in the United States. This does not sound like the ancient Rome with zero productivity where economy was in absolute decline. I think there is a great deal of strength left in the United States.

What about relative decline? Relative decline can occur if a country is doing well but others are doing better. You are still powerful and wealthy but others are even more powerful and wealthier. This is what might be called "the Rise of the Others". You certainly have seen that the American share of global product is less than it was in the 1940s when Truman made his initial decisions. At that time America was closed to half of world product and today we have 20% of world product. On the other hand, if you go back and look at the beginning of the 20th century, the Americans were also having about 20% of the world product. And what's interesting is in WWII, the America is in an abnormally high position because other countries have been devastated by the war. So as the American share of world product returns to the long-term normal, that basically looks like relative decline, but to a base which is already relatively high base. Presumably the United States share of world product will decline somewhat further, however, it's very hard to identify another country that will replace the United States if we're talking about relative decline.

Europe has a GDP and a population which are as large or larger than the United States, but it lacks unity. The problem for the Europeans is how do they act together as one. In the recent Brexit decision, which in my mind was a bad decision— it makes that problem (lacking of unity) even worse.

If you look at Russia, I think you can make a case that Russia is a country in decline. It has a loss in demographic terms. There are fewer and fewer Russians. There are severe health problems, and 2/3 of its exports depend on oil and gas. I don't see Russia really recovering the kind of strength that the Soviet Union had. That doesn't mean we should not worry about Russia, sometimes declining country can be very dangerous because they are more willing to take risks. For example, in 1914, one country that wanted WWI was Austria-Hungary, which was in decline and was willing to take higher risks. I'm not celebrating what I've just described about Russia, but I'm just saying it's not likely to be a replacement for the United States.

That takes you to the other BRIC country, India, which has 7.5% growth rate, higher than China's, or Brazil which is unfortunately in negative growth. But both India and Brazil

are roughly 2-trillion-dollar economies. That's quite long distance from China which is a 10-trillion-dollar economy, or the United States which is an 18-trillion-dollar economy.

So if you ask which country would be likely to replace the United States, the most likely candidate often cited is China. It used to be said that China would pass the United States in economic sides very soon when China was growing at 10% while the United States was not growing right after the recession. But as China's growth rate has come down, the year that China outperforms the U.S. has extended from the predictions of some economists. If you take the current growth rate at 6.5% or 6.7%, you get a number somewhere in the 2030s. But others say that China's growth rate is not likely to stay that high. My colleagues Larry Summers and Lant Pritchett at the Kennedy School have done a regression creation looking at prior countries which had high economic growth over 10%. Japan was over 10% growth and they said overtime it's normal to have what they've called a regression to the mean. And they said if China merely follows the experience of other countries which had a long period of growth, what would we expect China's growth rates to be in the 2020s. They come up with a number of 3.9%. Now nobody knows whether it would be the right answer or not, it is just basically statistical analysis and does not take into new accounts like demographic decline in China or problems of pollution that cause environmental suffering. But the point is that if you assume a Chinese growth rate of 4%, and the American growth rate of 2%, then China will not become bigger than the United States in overall until somewhere in the late 2040s. And even if it does become larger than the U.S. in the 2040s, it will still be behind the U.S. in per capita account. Right now U.S. is four times ahead of China in per capita. So the argument that economic power of China is just about to pass the United States strikes me as exaggerating and doesn't fit the facts.

Similarly, if you look at other dimensions of power in addition to economic power, you look at military power where American military budget is about 4 times that of China, or soft power where China has gained impressive soft power from the excellence of its economic performance and from traditional Chinese culture which is very attractive to the others. China gets a lot of soft power from the fact that it has raised hundreds of millions of people out of poverty and this is a huge accomplishment of which China should be proud of. So in that sense China has soft power which grows out of its economic performance and out of its culture. But it's also true that China still has problems with soft power in terms of its relations with its neighbors. The more nationalistic China becomes, the more difficult it is for China to compromise with its neighbors and that makes it more difficult for China to become attractive to those neighbors. It is not enough just to set up Confucius Institutes in other countries if at the same time you're having a dispute with them about the border. So in that sense China has some limits on its soft power. There is a consultancy in London which brings out every year—what they've called The Soft Power 30 Index. In that soft power index which came out this spring, the U.S. was ranked No.1 and China was ranked No. 28. Though I'm suspicious of indexes like this, the point is that the view reported in that poll that most people think China had already passed the United States in power doesn't fit the fact either economically or militarily or in terms of soft power.

Now you might say the reason why you are going on about these is just because you can brag about the United States. My answer to that is no. In fact, we should be very careful to be accurate in our assessment of relative power. If we misjudge power, we're likely to make seriously miscalculations which can lead to conflicts. The so-called Thucydides Trap can be misleading, but has the following to be set forward. When Thucydides was trying to explain the Peloponnesian War which tore the great city-state system apart, he asked



himself about the story of what caused something so devastating. And he said it was caused by the rise in the power of Athens and the fear that created in Sparta. That's what gave rise to the war. Many people have transferred that lesson to WWI, holding the view that the war was caused by the rise in the power of Germany and the fear that created in Britain. I think there are problems with this whole analogy, but it does tell us something if we look at China-U.S. relations. We could see problems caused by the rise of China and fear being created in the United States. But what I argue is that there is no need for that sort of fear. China can rise and we can welcome China's rise without too much fear and also avoiding conflicts. Part of the reasons is that it is important to get the power relations right when we don't succumb to fear. In 1900, 14 years before WWI, Germany had already passed Britain in industrial production. China is not about to pass the U.S., so the U.S. doesn't have to be so fearful of China. China and the U.S. have more time to work out a good relationship. Britain felt Germany was right on its heels and passed it, U.S. and China have time to work out a relationship that could be cooperative. There are many aspects of the U.S.-China relationship which are competitive, but there are many other things cooperative where we have much to gain from working together. As China rises, it's helping to provide global public goods. This is what cooperation exactly means when we talk about inviting China to be a responsible stakeholder. There are many cases where the U.S. is better off when China is also better off.

Global climate change is the case in point. When sea-level rises, it would be terribly damaging to China, U.S. and the rest of the world. While the better that China does in controlling the emissions of CO<sub>2</sub>, the better for China and the United States. So we have to look ahead to areas like combatting terrorism, keeping monetary stability, finding ways to police cybercrime and managing pandemics. These are areas where we have much to gain by working together and much to lose if we succumb to this competitive image of U.S.-China relations.

If the America century means the U.S. can control the world or manage the world or get what it wants by acting alone, it has been over for a long time. Because in fact, we're going to find more and more things where we have to work with other countries to be able to preserve the liberal international order which provides global public goods to all of us. So there are two answers to the question of my book. In the traditional sense of great power, will the United States be passed by another power? My answer is no. But in a modern sense, can Americans get what they want without the cooperation of others including China? The answer is no, and in that sense there is no American Century.

## Q&A Session

**Q:** Thank you very much for the presentation, Professor Nye. The Chinese and the American economy are getting more interdependent towards each other. How do you see for the power dynamics in terms of such interdependence?

**A:** I think the interdependence between U.S. and China is a healthy thing. And I think it does make conflict much less likely. If China does something to hurt the United States economically, it hurts itself. If the United States hurt China economically, it hurts itself. So the interdependence is very important. Some years ago when Robert Keohane and I wrote a book called *Power and Interdependence* and we pointed out that when there is symmetry in interdependence, then there is not much power in the relationship. When there is asymmetry, when one is dependent and the other is not, then you have power.

Q: How do you convince lower educated people in the U.S. that China isn't at aggression of the U.S. or it might not be?

A: I wrote in an article called "Putting the Populist Revolt in Its Place" that there is a rise of populism in Europe and in the U.S., but it's not because of trade with China. There's been studies done recently that shows the United States has lost 2.5-3 million manufacturing jobs because of opening our borders to China. That is something which makes the voters who feel strongly against China to vote against Hilary Clinton. Actually, the loss of jobs is less from trade than it is from technological changes overall. Who is the bigger threat? A Chinese worker in Shenzhen or a robot? The robot may be a bigger threat. The populism has other roots than just economics. It also has roots from anti-immigration feeling and changes in cultural status. So it's a big mistake to allow politicians to blame this on trade with China.

Q: You wrote a very famous report in 1995 called the Nye Report. What do you think of the Nye Report and the U.S. policy to China during the Clinton administration?

A: In 1990s a group of people said we should contain China because China was a rising power and it would be a threat to the U.S., and we should stop China before it became too strong. Finally, we chose the opposite strategy which was integrating China to the international system and we would hedge in case China became a bully by reaffirming our treaty alliance with Japan. Overall, that policy was successful. I was once at a summit meeting sitting in the back row with Jiang Zemin and Bill Clinton. Jiang Zemin leaned across the table and asked Clinton, "you want a strong China or a weak China"? And Clinton said to him, "we think we have more to gain from a strong China than the weak China." That has been the bases of our strategy.

Q: In terms of military capacity, Russia is the most powerful state which is able to challenge America's leading position in the world. I'm wondering whether your thought on the Russian decline is true.

A: I think you are absolutely right that Russia still has a great deal on military power. But in terms of its ability to project power in conventional terms, it's quite limited. Nonetheless they can do a lot of missions and do a lot of damage so I don't belittle the ability of Russia to act militarily. But those are symbols of a leadership which is trying to assert itself to act as though it is very powerful, when the underlined sources of strength of a country is economic productivity and internal sources of integration and growth. I don't see them in Russia.

Q: How do you see the influence of the United States in the Middle East and its relationship with Asian countries?

A: If you are asking objective assessment on influence in the Middle East, it is less today than it was ten years ago or twenty years ago. America is attractive and has more soft power than other countries in every region except the Middle East. Part of the reason is that American's policies in the Middle East are very unattractive to people in the region. The invasion of Iraq, which was a huge mistake, led to a strong residue of anti-Americanism. In addition to that, in the Middle East a series of revolutions are going on and I think this may last thirty years, just like the thirty-year-war in Germany in the 17th century. The Americans cannot divorce themselves from the region, but they are also wise to not become too

heavily involved as they were in 2003. In that sense the American influence is definitely less in the Middle East.

As for the relationship to Asia, the so called Pivot to Asia was basically a desire to pivot away from the Middle East. The U.S. has spent too much money, treasure and lives on an area with no economic growth while it is neglecting an area of the highest economic growth in the world. So the idea of “Pivot to Asia” was not a military pivot, it was an effort to reduce our attention in the Middle East and increase our attention in Asia.

Q: Since the U.S. has reduced its attention and its interests in the Middle East, what do you think China should do in that area? Would you advise China to move into the area of conflict? I’m curious because we have the One Belt One Road initiative that involves the Middle East and Central Asia.

A: I think China will naturally become more involved in the Middle East partly through economic initiatives. China already has a base in Djibouti which helps to support them. Also China is going to be increasing its dependence on Middle East oil. So I would expect that China will play more role in the Middle East over the decade to come. And I would say good luck.

Q: Your argument that American Century isn’t over yet is quite convincing. My question is why has the Chinese Century not begun yet?

A: We are maybe at a stage where identifying a century with a country is a mistake because it’s rare that you’re going to be able to provide global public goods by one country acting alone. And there are going to be more and more situations which require cooperation. So we should be thinking the ways in one sense that China’s century already begins if you look at the extraordinary success that China has held economically. There are many good things China has done such as establishing the Asian Infrastructure Investment Bank. China wants to take its surplus currency and uses it to invest in infrastructure in other countries. That’s global public goods, we should applaud that. Besides, China now does a major job in UN peacekeeping operations, so we are going to see more situations where China plays a major role.

The major reason for the successful signing of Paris Climate Agreement is cooperation between China and the United States. It’s going to be more cases in which we are going to see practical working together to get things done because it is in both of our interests. In these cases, there is no such term as “Chinese Century” or “American Century”. What I want to say at the end of the book is that the American Century is not over but it’s not going to look like it did before. In that sense, rather than thinking there is going to be a China Century, there is probably going to be some sort of Cooperative Century.

(Transcribed by Zhao Jianwei)

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