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Abstract

By 2040, the United States will no longer be considered as a global superpower and the world may be headed toward a long era devoid of any superpowers. This will occur as a result of several negative trends within the United States itself, combined with changing dynamics and exigencies in the global system and the rise of more powerful competitors in Asia and Europe. The negative trends within the United States include unprecedented governmental and international debt, dysfunctional campaign-finance and lobbying systems, unmanageable entitlement and health-care obligations, a deteriorating public education network, an inordinate concentration of wealth and power in the hands of relatively few individuals and corporate interests, and imperial overstretch. Internationally, globalization trends will necessitate much more cooperation across national borders with a premium placed on multilateral cooperation as opposed to unilateral initiatives. More than one-third of humanity in China and India is now being integrated into the international market system and new national and regional competitors such as the EU and ASEAN will diminish the overall economic and political influence of the United States. In 2040, the United States may be primus inter pares among the leading group of nations, but both the "American Century" and America's "unipolar moment" in history will have come to an end.

KEYWORDS: America's decline, superpowers

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By 2040, it is likely that the United States will no longer be considered as a global superpower and that the world may be headed toward a long era devoid of any superpowers. There are three fundamental factors which will contribute to the end of the superpower era: (1) negative trends within the United States itself which, if left unchecked, will severely erode the U.S. capacity to be the most powerful and influential national actor on the international stage; (2) the rise of formidable competitors elsewhere in the world who will play much more influential roles within the next three decades; and (3) changing dynamics and exigencies found within the rapidly evolving global system which will entrench interdependence and multilateralism on the one hand, and mitigate the influence of any single dominant national actor on the other.

The Foremost Superpower in History

Most observers today would concur with Henry Luce's assertion made in 1941 that the 20th century would be known as the "American century." Arguably, the United States at the end of World War II was the most powerful nation-state to have ever existed.[1] Its industrial production was at full capacity, unlike other major nations on the shattered European and Asian continents. The U.S. alone accounted for half of the world's total production.[2] Moreover, its mainland had been spared from any damage during this cataclysmic global conflict and its military capability was unrivaled. Not only was it the world's foremost military power in conventional terms, but it also held a strategic monopoly on atomic weapons which had caused such frightening devastation to Hiroshima and Nagasaki, and which could have been used later on to inflict horrific damage on perceived enemies around the globe

During the Cold War, two superpowers existed in strategic military terms, but certainly not in economic terms. People feared that an ultimate confrontation between the Soviet Union and the United States, which almost occurred during the Cuban missile crisis, would unleash their respective nuclear arsenals and decimate modern civilization. With the collapse of the Soviet Empire beginning in 1989 and the implosion of the Soviet Union itself in 1991, the superpower rivalry ended by default. Russia continues to be a formidable military power, but both its strategic and conventional capability has been eroded over the past 15 years. In economic terms, the Soviet Union itself was little more than a developing country when compared with the huge economic output of the United States. After the Soviet Union imploded, the new Russian nation which emerged had a gross domestic product (GDP) equivalent to that of the state of Illinois. Even today with

[1] Bruce Russett, "America's Continuing Strengths," *International Organization* 39 (Spring 1985): 213-214.
[2] Fareed Zakaria, "The Arrogant Empire," *Newsweek*, 23 June 2004.

its great oil and natural gas wealth in a period of historically high energy prices, Russia is producing less annually than Texas or New York.[3]

To be frank, even at the height of the Cold War when all components of what constitutes a superpower are considered (size and diversity of the national economy, conventional and strategic military prowess, international political and diplomatic influence and alliances, government innovation and discipline, and domestic unity and national will), there was really one superpower versus half of a superpower. In the current post-Cold War period, the United States is experiencing its "unipolar" moment in history, although it is admittedly less powerful in comparative terms than it was for a few short years after World War II.[4]

America the Powerful

When asked the question whether the 21st century will also be known as the "American century," many in the United States would answer in the affirmative, and there are some good reasons to support this outlook.

The 50 states combined comprise the fourth largest territory in the world. However, when one includes U.S. commonwealths and territories, the United States actually stretches more than 9,400 miles from the U.S. Virgin Islands in the east to Guam in the west, passing through nine time zones, second only to the 11 zones in Russia. For example, when it is 11 a.m. in New York City on a Friday, it is already 1 a.m. on Saturday in Agana, the capital of Guam.

The U.S. recently surpassed 300 million inhabitants and ranks as the world's third most populous nation. It will continue to grow for many decades and is the only major nation in the developed world over the past several years to be close to the 2.1 children-per-woman replacement level needed to maintain a stable population, exclusive of immigration. It took 139 years from 1776 for the United States to reach 100 million people, 52 years thereafter to reach 200 million, and only 39 years later to achieve the 300 million milestone in 2006. If birthrates and immigration flows remain at current levels, the population could reach 400 million within the next 37 years.[5] The U.S. will face its share of demographic challenges in the near future, but not to the same degree as Russia, Japan, or Germany which are already losing population, or Canada or most nations in Europe which will soon reach their population plateaus. Rather astonishingly,

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[3] World Bank data on national GDPs for 2005, and U.S. Department of Commerce data on gross U.S. state products, 2005.

[4] See Colin Dueck, "New Perspectives on American Grand Strategy: A Review Essay," *International Security* 28 (Spring 2004): 197-216.

[5] U.S. Census Bureau, "U.S. Interim Projections by Age, Sex, Race, and Hispanic Origin," 18 March 2004.

Japan, Europe, and Russia could have total populations below half of current levels by 2100.[6]

In addition, the United States has a huge and vibrant economy and is blessed with an expansive and diverse natural resource base which is rivaled today only by Russia and Canada. The U.S. economy is so large when measured in GDP terms that just its economic growth from 1996 through 2005 was greater than the entire GDP of the world's second largest nation-state, Japan.[7] According to World Bank statistics estimating the GDPs of 183 nations and territories in 2005, and similar U.S. Department of Commerce statistics for the fifty U.S. states, three U.S. states would have ranked that year among the ten largest "national" economies in the world, 14 among the top 25, 38 among the top 55, and all 50 states among the top 77 (see Figure I which instead of listing states, shows nations which produce about the same as the individual states on an annual GDP basis).

No major Western nation has matched America's job-creation performance, with 46 million net new jobs created in the United States from 1980 through 2006.[8] The unemployment rate stands below five percent and is considered by many economists to be at "full-employment" levels. Inflation has remained relatively low for many years in spite of a significant spike in energy, housing, and health-care prices. America's entrepreneurship and corporate prowess are legendary and its major stock market has moved to its highest levels in history. A record percentage of Americans owns their homes and their housing on average is much more spacious and luxurious than ever before.

In the military sector, the United States spends far more than any other nation on defending itself and its allies. Its weapons systems are widely considered as far superior to those of any other country or even groups of countries, and it is one of just a handful of nations to possess the lift capacity to move significant numbers of weapons and personnel to any part of the world within just a few days.

Whether in the development of weaponry or decisions rendered in corporate boardrooms, America remains innovative and its R & D capacity is unsurpassed. Its universities are ranked at the top echelons of the world's institutions of higher learning and students from around the globe continue to flock to America's graduate and post-graduate programs. Almost 40 million Americans also move to new residences each year.[9] This reflects in part the mobility of Americans and their willingness to take risks and seek opportunities away from the familiar settings where they grew up.

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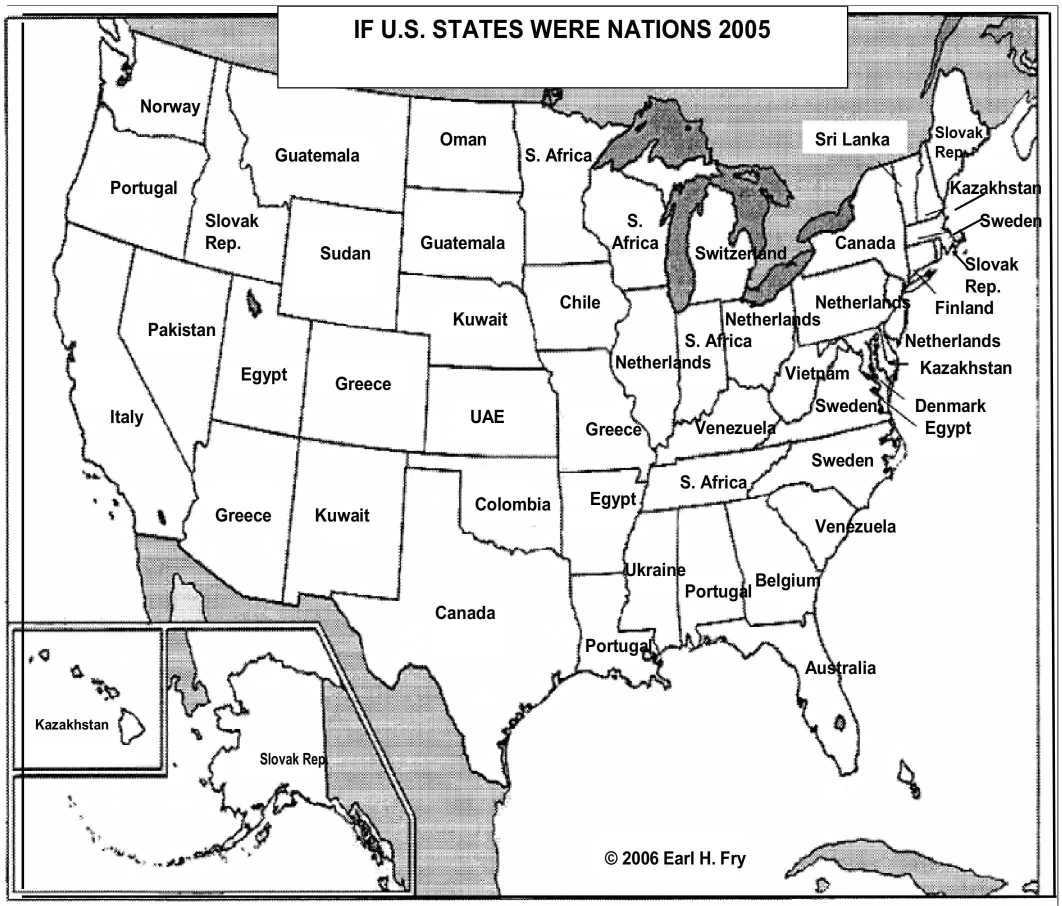
[6] Neil Howe and Richard Jackson, "Rising Populations Breed Rising Powers," *Financial Times*, 9 February 2007.
[7] Annual GDP data compiled by the World Bank.
[8] U.S. Bureau of Labor Statistics, Series ID LNS12000000.
[9] U.S. Census Bureau, "Geographic Mobility: 2004/2005."

Figure I



The U.S. federal system of governance is also innovative and resilient and when voters consider that the nation is moving in the wrong direction, they can vote decisively for change in political leadership, much as they did in November 2006. When all of the economic, political, diplomatic, and military dimensions of what constitutes a superpower are added up, and in view of the serious population crunch which many developed nations will face over the next several decades, the United States would seem to be in great shape to maintain its dominant status internationally for many years to come. Indeed, this was exactly the argument put forward by David Levey and Stuart Brown in their *Foreign Affairs* article of

March/April 2005.[10] They are confident that the "hegemon" has been built on a solid foundation because of the massive size, resiliency, and technological dynamism of the U.S. economy, the misreading of the true U.S. savings rate due to official calculations which exclude home equity values and 401(k) pension funds, the overwhelming international status of the U.S. dollar, and the failure to appreciate that international direct investment is actually a positive feature of America's perennial current-account deficits. These are important points, but they provide a false sense of security in view of the huge challenges facing the United States at home and abroad, and there is absolutely nothing inevitable about the durability of America's "unipolar" moment in world history. Unfortunately, much as Americans once thought that teams composed of the best NBA and MLB players would always dominate international basketball and baseball competition, they likewise perceive that their nation will always remain ascendant in the areas which define a global superpower. Such perceptions are illusory and dangerous, especially when they are constantly trumpeted by policy makers within Washington's celebrated Beltway.

America the Delusional: Washington's Creative Accounting and the Entitlement Juggernaut

The United States faces serious problems at home and an overextended presence abroad which, if remain unchecked, will most likely result in the end of its superpower status within roughly three decades.

America's internal and external debts and future unfunded financial obligations are ominous and will combine to erode the nation's ability to influence the rest of the world. The federal government's debt accumulated since 1789 did not top one trillion dollars until 1981. Ronald Reagan, who became president in 1981, once quipped that "government is like a baby. An alimentary canal with a big appetite at one end and no sense of responsibility at the other." Unfortunately, since the beginning of the Reagan administration, the debt has skyrocketed to just shy of nine trillion dollars. This debt has accumulated during both Cold War and post-Cold War eras, and during periods of high international tensions and relatively calm periods, including the so-called peace-dividend era following the collapse of the Soviet Union. Since the start of the current Bush presidency, federal government spending increased by 45 percent in nominal terms through fiscal year 2008. The government's debt has also mounted by over two trillion dollars at a time when America's neighbor to the north, Canada, has experienced nine consecutive years of federal government budget surpluses. Furthermore, it is amazing that Washington continues to incur major deficits even

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[10] David Levey and Stuart Brown, "The Overstretch Myth," *Foreign Affairs* 84 (March/April 2005).

at a time when the economy has recovered from the post-9/11 doldrums and is growing robustly in a "full-employment" mode.[11]

If corporations were to use the same accounting system employed by the federal government in Washington, D.C., their CEOs would be subject to arrest. The "official" yearly deficits are far below the true deficits and even the Department of Treasury keeps two sets of ledgers reflecting the discrepancies. In fiscal year 2005, for example, the official deficit trumpeted by government leaders was 318 billion dollars. However, government auditors issued a second set of estimates based on standard accounting rules and net operating costs which indicated a deficit of 760 billion dollars. In fiscal year 2006, the official "cash-term" deficit was 248 billion dollars but the Treasury's accrual-accounting method used by major U.S. corporations pushed that estimate up to 450 billion dollars.[12] Moreover, the government fails to highlight its future financial liabilities incurred for "entitlement" programs such as Social Security, Medicare, Medicaid, and military and federal employee pension and health plans. David M. Walker, Comptroller General of the United States who is director of the U.S. Government Accountability Office (GAO), estimates that explicit liabilities of the federal government increased by 52 percent from 2000 through 2006, and implicit exposures in Social Security and Medicare were up 197 percent during the same period. He contends that the total fiscal exposure of the U.S. Government, calculated using Generally Accepted Accounting Practices (GAAP basis), was 50.5 trillion dollars at the end of fiscal year 2006.[13] Total household net worth that year was 53.5 trillion dollars, so the ratio of fiscal exposure to net worth was 95 percent and the share of this exposure for each American household added up to 440,000 dollars.[14]

Even worse, these liabilities must be paid during a period of unprecedented retirements resulting in relatively fewer workers picking up a good share of the tab for a record number of retirees.[15] In 1935 when the Social Security system was established, there were 40 workers for every older person eligible to receive retirement payments, and most retirees did not live long enough to collect even one dollar from the Social Security fund. The United States is now moving closer to two workers for every retiree and on average Americans are living almost 80

[11] Kenneth Rogoff, in his article "Betting the House's Money," *The Guardian*, 7 February 2007, adds to a sense of disbelief concerning why Washington's deficits have been so high when he stresses that the United States has enjoyed "stunning prosperity" over a period of a quarter of a century, punctuated by only two short and very mild recessions.
[12] David M. Walker, Comptroller General of the United States, "Fiscal, Social Security, and Health Care Challenges," presentation at the Awakening Conference, Sea Island, Georgia, 7 January 2007. Also see David S. Broder, "Red Ink Run Amok," *Washington Post*, 13 April 2006.
[13] Ibid.
[14] Ibid.
[15] Dennia Cauchon, "Retiree Benefits Grow into 'Monster,'" *USA Today*, 24 May 2006.

years. Intergenerational tensions are bound to escalate because so much of the financial burden has now been transferred to young workers and those yet to enter the work force. The problem will be further exacerbated by many corporations jettisoning defined-benefit retirement plans for their workers which guaranteed a certain amount of monthly income after they had completed their careers. A quarter of a century ago, more than four-fifths of large and medium-sized companies offered defined-benefit plans compared with fewer than one-third today.[16] Most workers must now rely on 401(k) plans to supplement Social Security and their companies are not even required to provide matching funds to supplement the workers' savings accounts. This trend certainly saves money for the corporate sector but places an even greater financial onus on the federal government to be the funder of last resort for those entering their "golden" years.

Tough decisions taken now, such as removing the cap on the amount of wages taxed for Social Security purposes, decreasing some retirement benefits for the wealthy, and upping the retirement age for everyone, may be able to mitigate some of the catastrophic conditions which will afflict the Social Security system by 2030 when 72 million Americans, representing 20 percent of the entire population, will be 65 or older. However, overall health-care spending and entitlements are another issue altogether. If the health systems in the rest of the Western world are from Venus, than the U.S. health system is from Uranus. The U.S. system of health care has become extremely dysfunctional and is a major impediment to the future financial standing of the federal government and America's overall economic competitiveness. Americans now spend over 16 percent of GDP on health care, almost twice as much as the average spending in all other major Western nations.[17] However, all of these other nations cover their entire populations, whereas 47 million Americans, including 8 million children, have no health insurance at all and tens of millions of additional people are underinsured in the case of major illness. The number of Americans without any insurance increased for six straight years through 2005, standing at 15.9 percent of the entire population. Even more tragically, America's gold-plated health-care system has not provided gold-plated results, with the United States ranking only 41st in the world among nations and territories in its infant mortality rate, two places behind Cuba, and 45th in average life expectancy, just behind Bosnia and

[16] Alicia H. Munnell and Annika Sunden, *Coming Up Short: The Challenge of 401(k) Plans* (Washington, D.C.: Brookings Institution Press, 2004), and Eduardo Porter and Mary Williams Walsh, "Retirement Turns Into a Rest Stop as Benefits Dwindle," *New York Times,* 9 February 2006.

[17] Statistics compiled by the Organization for Economic Development and Cooperation (OECD) whose membership includes all of the major Western nations. Also see "Desperate Measures—America's Health-Care Crisis," *Economist*, 28 January 2006.

Herzegovina.[18] American babies are three times more likely to die in their first month than babies in Japan, and 2 ½ times more likely than babies in Finland, Iceland, and Norway.[19] African-American babies also perish at twice the average rate of all American infants.[20]

It is amazing how out of step the United States is with the rest of Western society and how little serious attention the health issue is given within the Beltway. Health-care expenses are increasing far beyond the overall rate of inflation and will continue to escalate in view of the aging American population and the 78 million baby boomers born between 1946 and 1964 who will soon become eligible for Medicare. On average, health insurance premiums catapulted by 87 percent between 2000 and the beginning of 2007, compared with an overall inflation rate of 18 percent during that period.[21] The percentage of companies offering health insurance for their employees declined from 69 percent in 1979 to 65 percent in 2001 to 59 percent in 2007.[22] The U.S. auto industry is among the major industrial sectors which have been hindered competitively by the huge increase in expenditures in health care, and this helps explain why more cars and light trucks are now manufactured in Ontario than in Michigan. By manufacturing in Ontario and taking advantage of its provincial health-care system, General Motors, Ford, and DaimlerChrysler can save on average over one thousand dollars per vehicle. Unless dramatic changes are made in the overall U.S. health-care system, Washington may face a full-blown catastrophe in terms of its long-term Medicare and Medicaid obligations.

Even more ominously, the huge burden of health-care costs will prompt U.S.-based multinationals to offshore a greater share of their production, and America's overall competitiveness in domestic manufacturing and other sectors might decline significantly. Some estimates suggest that 40 million American jobs will be at risk from offshoring over the next couple of decades, or 27 percent of the current workforce.[23] Other forecasts are somewhat less foreboding, but still estimate that eight million current jobs are at "high risk" and 16 million more are

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[18] U.S. Central Intelligence Agency, *The World Factbook 2007* (Washington, D.C.: Government Printing Office, 2007), online edition with quoted tables updated on 8 February 2007.

[19] Jeff Green, "U.S. Has Second Worst Newborn Death Rate in Modern World, Report Says," *CNN.com*, 10 May 2006. The report was released by the Save the Children organization.

[20] Ibid.

[21] Mark Trumbull, "Burdened by Healthcare Costs, U.S. Businesses Seek a Shift," *Christian Science Monitor*, 13 February 2007. Statistics in the article are based on research findings of the Kaiser Family Foundation.

[22] Ibid., and Lisa Pickeroff-White, "More Americans Opting Out of Health Insurance," *The National Academies*, 12 May 2006, and Economic Policy Institute data found in Robert Kuttner, "Another Year, Another Wage Loss," *Boston Globe*, 2 September 2006.

[23] Ray Uhalde and Jeff Strohl, *America in the Global Economy* (Washington, D.C.: National Center on Education and the Economy, 2006), 35-36.

at "moderate risk."[24] Most of these jobs are not low-skilled or labor-intensive, with about 70 percent of employment offshored since the beginning of the 1990s having required some college education.[25] The costly health-care dilemma aggravates this offshoring concern.

When Social Security obligations are combined with projected Medicare and Medicaid commitments, these three programs alone would constitute by 2030 a staggering and unsustainable three-quarters of the entire federal budget. This prospect reminds one of the Vietnam War-related analogies when the Johnson administration insisted figuratively that it could see the light at the end of the tunnel, only to find that the light was at the front of an oncoming express train.

Fiscal Irresponsibility

The budgetary mess has been made even worse by the fiscal irresponsibility shown by both the White House and the U.S. Congress. In 2000, the Congressional Budget Office (CBO) predicted that the U.S. Government would enjoy an official budget surplus of 5.6 trillion dollars over the subsequent decade; instead, the nation is headed toward one of its most profound periods of government indebtedness in history.[26] The United States has been fighting a war in the Middle East for several years and has increased its annual defense budget to over one-half trillion dollars. During this period of wartime, however, there have been record tax cuts mostly benefiting the richest segment of American society. Earmarks which generally provide pork benefits to special constituents have also quadrupled since 1992 at a cost of up to 29 billion dollars in fiscal year 2006 alone, including the infamous bridge to nowhere in Alaska which received an appropriation of 230 million dollars.[27] Moreover, the tabulation of earmarks usually excludes defense-related boondoggles such as the much maligned Air Force F-22 stealth fighter, the Marine Corps' tilt-wing V-22 Osprey, the Navy's DDG-1000 stealth destroyer, or the Virginia-class attack submarine.[28]

The executive branch has also had its version of earmarks with a sharp acceleration in private contracting for services once provided by government workers. Such a trend is not necessarily bad, except half of these contracts are being awarded without full open and competitive bidding, and winners tend to

[24] Ibid.

[25] Ibid., 50.

[26] Congressional Budget Office, "The Budget and Economic Outlook: An Update," July 2000.

[27] Statistics compiled by the Citizens Against Government Waste, a non-partisan organization, and quoted in Caroline Baum, "Americans Went to Polls with the GOP They've Got," *Bloomberg.com*, 13 November 2006. Some on Capitol Hill argue the costs in fiscal year 2006 may have been several billion dollars lower than the organization estimated. See Ronald Brownstein, "Bush's Tax Cuts Far Outweigh Congressional Pork," *Los Angeles Times*, 14 May 2006.

[28] "The Other Defense Budget," *Washington Post*, 6 February 2007.

have close connections to or ideological affinities with top executive branch officials.[29] Never has the dysfunctional nature of such contracting been as apparent as in Iraq in the period immediately after President Bush, dressed in his pilot's uniform, landed on the aircraft carrier U.S. Abraham Lincoln anchored off the coast of southern California. With a huge "Mission Accomplished" poster in the background, the President declared that the major phase of fighting was over in Iraq and that the U.S. had been victorious. In the ensuing weeks, thousands of private contractors and government personnel streamed into Baghdad and were interviewed by administration appointees to see if they were qualified to participate in the post-war phase of reconstruction. In making hiring decisions, the first questions often asked were not about one's previous experience in Iraq, one's contribution to reconstruction projects in other developing countries, or even one's ability to speak Arabic. Instead, the litmus-test questions, according to Rajiv Chandrasekaran of the *Washington Post*, were: who did you vote for in the 2000 presidential election, are you a Republican, and, even at times, do you support *Roe v. Wade*? [30]

The number of lobbyists in the Washington area has doubled since the year 2000 to 30,000 and the salaries of lobbyists have increased dramatically, meaning that this has been a true growth industry bringing tangible results for the lobbyists' clients.[31] Convicted felon and former lobbyist Jack Abramoff referred to Congress as the "favor factory" and others have used terms such as "pay to play" to describe the ties between the K Street lobbyists and individual members of Congress. Too many elected officials on Capitol Hill have been engaged in enriching themselves, family members, or their staffs through special linkages or the revolving door with the lobbying community.

Furthermore, the last major overhaul of the U.S. tax code occurred in 1986. Since that time, Congress has authorized almost 15,000 amendments in what is now a 1.4 million-word document.[32] These changes have usually resulted in loopholes or exceptions benefiting special interests, such as foreign tax credits for the pharmaceutical industry or drilling write-offs for the oil industry. These special tax perks are at least ten times more damaging to Washington's fiscal outlook than the spiraling costs of earmarks, and many of these perks are simply unfair. For example, Congress has authorized homeowners to deduct interest costs on their home mortgages, but more than half of the subsidy goes to the top 12

[29] Paul Krugman, "The Green-Zoning of America," *New York Times*, 5 February 2007.
[30] Rajiv Chandrasekaran, *Imperial Life in the Emerald City: Inside Iraq's Green Zone* (New York: Random House, 2006).
[31] Research by Jeffrey Birnbaum discussed in Drew Lindsay, "How Big Money Has Changed Washington," *Washingtonian*, November 2006, 5.
[32] Roger Lowenstein, "Who Needs the Mortgage-Interest Deduction," *New York Times*, 5 March 2006.

percent of households and 70 percent of tax filers and about 50 percent of homeowners do not receive any benefit at all.[33] Proponents of the mortgage subsidy claim that it promotes home ownership, but the U.S. ownership rate is about the same as those in Canada, Australia, and Great Britain, and none of these countries permits any deductibility.[34] In addition, the tax subsidy actually does more to stimulate the building of larger and more expensive homes rather than first-time home ownership, with the rate of overall ownership up modestly from 62 percent to 69 percent since 1960.[35] Tax subsidies are offered for mortgages up to a million dollars, for second homes, and frankly, for any other costly purchase having nothing to do with home ownership except it has been paid for through home-equity loans which carry a tax deductibility on loans up to 100,000 dollars.[36] Total tax breaks for home ownership cost the U.S. Treasury over 100 billion dollars per year, and tax deductibility for employer-provided health insurance another 125 billion dollars annually.[37]

Congress also provides tax relief for those who save via IRAs, 401(k)s and other retirement accounts, but in 2003 more than 50 percent of the tax benefits for defined-contribution plans went to the top one-tenth of households and 70 percent to the top one-fifth. Sixty percent of the IRA tax benefits also accrued to the top fifth of households.[38] As for the bottom two-fifths, they accounted for only three percent of the tax savings provided to IRA accounts.[39] This internal erosion of both the democratic process and market-based economics which favors the special interest, or the well-to-do, over the general interest, or those with modest means, is eroding the domestic political and economic foundations upon which the American superpower was constructed. Tragically, both ends of Pennsylvania Avenue are over populated with politicians and under populated with statesmen and stateswomen. The chief goal of elected officials within the Beltway is to be reelected, and one's allegiance to what might be labeled the Incumbency party tends to be far more important than one's nominal ties to the Democratic or Republican parties. Moreover, in an effort to be reelected, members spend inordinate time raising money for their campaigns, and this increases the chances that they will become "indebted" to special interests with deep pockets and the capability of "bundling" contributions during the primary and post-convention

[33] Ibid., and Sebastian Mallaby, "Attacking Inequality," *Washington Post,* 4 September 2006.
[34] Lowenstein.
[35] Ibid.
[36] Ibid.
[37] Christopher Swann, "Tax Panel Seeks Cap on Break for Homeowners," *Financial Times*, 11 October 2005.
[38] Leonard E. Burman, William G. Gale, Matthew Hall, and Peter Orszag, "Distributional Effects of Defined Contribution Plans and Individual Retirement Accounts," *Urban Institute TPC Discussion Paper No. 16*, 19 August 2004.
[39] Mallaby.

phases of the election cycle. Very tough decisions need to be made both in terms of lobbying and campaign-finance reform, as well as overall spending and tax priorities, in order to right the ship of state and turn it in the correct direction. However, this requires a great deal of political courage which may cost some officials their seats at the next election, and few are willing to make this sacrifice. A more enlightened, informed, and energetic electorate is also needed before conditions will improve significantly within Washington's corridors of power.

The New Gilded Age

The shenanigans within the Beltway are also symptomatic of a return to a "gilded age" and a harbinger of some major political upheavals which may occur domestically within the next 30 years, thereby weakening America's capacity to be the primordial global actor. Over the past few decades, the nation has regressed into a plutonomy which means that most economic gains have been flowing into the hands of relatively few rich American households. At the end of the 1920s, the richest one-tenth of the population controlled more than half the wealth, but this would decline to about 30 percent of the wealth in the 1960s. In 2004, the richest one percent of American households alone controlled more than 34 percent of all wealth and the richest tenth 71 percent, leaving the remaining nine out of ten households with 29 percent of the total.[40] Indeed, the bottom 30 percent of American households averaged less than 10,000 dollars in total accumulation of wealth.[41] Income distribution measured on an annual basis in 2005 was also very top heavy. The top one percent of Americans received almost 22 percent of all income, and the top one tenth just shy of 49 percent, their largest share since 1928 and 16 percentage points higher than their share in 1970.[42] Almost 13 percent of the U.S. population lives in poverty, defined as a yearly income of less than 20,000 dollars per year for a family of four in 2005, with almost half of these living in "deep poverty" with an income less than half the poverty threshold.[43] The nation's overall savings rate was also negative in both 2005 and 2006, with the one percent decline in 2006 being the worst in 73 years.[44] Moreover, household debt has continued to climb, averaging 130 percent of disposable income in 2005.[45]

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[40] Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto, *The State of Working America 2006/2007* (Ithaca: Cornell University Press, 2006), chapter 5.
[41] Ibid.
[42] David Cay Johnston, "Income Gap Is Widening, Data Shows," *New York Times*, 29 March 2007. The study was completed by Emmanuel Saez of the University of California at Berkeley and Thomas Piketty of the Paris School of Economics.
[43] Brownstein, "Bush's Tax Cuts."
[44] Martin Crutsinger, "Savings a Bust for Boomers," *Deseret Morning News*, 2 February 2007.
[45] Mishel, Bernstein, and Allegretto, Chapter 5.

No other major Western nation comes close to matching the disproportional concentration of U.S. wealth, and the siphoning of most income, wealth, and tax benefits to relatively few U.S. households has resulted in many Americans feeling financially strapped, even in the face of significant aggregate GDP and productivity growth in the overall economy. Real median household income is up only 15 percent over the past quarter century and the average household is working about 500 hours more per year than three decades ago, meaning more two-income earners per household.[46] Amazingly, the average full-time male worker actually received lower wages in real terms in 2005 than in 1973.[47] In the face of income stagnation for most Americans, they have also had to cope with 50 percent increases in college expenses, 73 percent in health-care costs, and more than a doubling of gasoline prices just over the past five years.[48]

Income disparities have also carried over to the corporate boardroom with the typical U.S. CEO of a major company making 260 times more than the company's average worker, up from 24 times four decades ago. The 260 to 1 ratio is also way out of proportion with the ratio of 22 to 1 in the United Kingdom and 11 to 1 in Japan.[49] Part of this problem may be linked to the growing power base of management at the expense of organized labor in the private sector, whose ranks have dwindled from 16 percent of workers in 1983 to 7.4 percent in 2006.[50] Growing disparities are also found in the housing arena, with each of the 100 largest regions in the United States, without exception, having grown more economically segregated over the past three decades.[51] More than seven million households are now sequestered within walled fortresses with gates, entry codes, key cards, or security guards.[52] Those with money send their children to private schools, or at least to public schools out in safe and relatively prosperous suburbs which usually benefit from much higher property taxes than are collected in inner cities or rural areas. If these disparities continue and most households perceive themselves as being at greater economic risk, there will be growing discontentment among many Americans who feel that politicians have steered the

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[46] Kuttner, "Another Year."
[47] E.J. Dionne, "Perfect Storm for the Poor," *Washington Post*, 1 September 2006.
[48] Hillary Clinton, Tom Carper, and Tom Vilsack, "Saving the American Dream," *Real Clear Politics*, 31 July 2006.
[49] Economic Policy Institute data quoted in Niala Boodhoo, "Americans' Productivity Rising Faster Than Paychecks," *Deseret Morning News*, 4 September 2006, and Kurt Andersen, "American Roulette," *New York Times Magazine*, 8 January 2007.
[50] U.S. Bureau of Labor Statistics findings reported in the *New York Times*, 26 January 2007.
[51] Data compiled by George Galster and his fellow demographers at Wayne State University and discussed in Nancy Cleeland, "Rich, Poor Live Poles Apart in L.A. as Middle Class Keeps Shrinking," *Los Angeles Times*, 23 July 2006.
[52] U.S. Census Bureau, *2001 Housing Survey*, Haya El Nasser, "Gated Communities," *USA Today*, 15 December 2002, and Edward J. Blakely and Mary Gail Snyder, *Fortress America* (Washington, D.C.: Brookings Institution Press, 1997).

lion's share of societal benefits to relatively few rich people and corporations.[53] This in turn will engender a proliferation in populous sentiments, a growing emphasis on domestic issues at the expense of international concerns, and accelerated demands for changes in U.S. fiscal and taxation policies.[54] Whether such changes would actually result in spreading society's wealth among a larger segment of the population, without at the same time adding to the huge government debt, remains a big question mark.

Record International Indebtedness

During most of the 20th century, the United States was the world's largest creditor country and helped finance the rebuilding of Europe after World War I and many areas of Europe and Asia after World War II. Today, in sharp contrast, the United States is the world's largest debtor country in nominal terms with net external obligations in the range of three trillion dollars. The United States is also consuming about seven percent more of its GDP than it is producing and relying on international borrowing to bridge the gap. Foreigners have now stepped in to buy slightly less than half of the Treasury bills, bonds, and notes which finance Washington's burgeoning government debt, up from 30 percent in 2001 and triple the amount they had purchased in 1992.[55] The nation depends on foreigners to recycle dollars back into the U.S. economy at a rate of about two billion dollars per day in order to compensate for the nation's "twin" government and current-account deficits, and U.S. foreign borrowing soaks up about two-thirds of the combined excess savings of all the surplus countries in the world.[56] Americans are buying far more from the rest of the world in goods and services than overseas residents are buying from the United States, resulting in a current-account imbalance of 3.3 trillion dollars over just the past five years. Ironically, in an era of pronounced unilateralism in U.S. foreign policy, the United States has never been more dependent on the good will of foreign governments and investors to buy a record amount of U.S. instruments of debt. More ominously, this growing dependency on foreigners leaves the United States susceptible to major domestic

[53] In his book, *The Great Risk Shift* (New York: Oxford University Press, 2006), Jacob S. Hacker addresses the growing economic insecurity felt by many American households and criticizes "America's enfeebled public-private framework of health insurance and retirement pensions."
[54] Jacques Mistral, "Growing Inequality Is Turning America Inward," *Financial Times*, 17 July 2006.
[55] "The Interest Must Be Paid." *New York Times*, 29 May 2006.
[56] Benn Steil, "Why Deficits Matter (Condensed Version)," Council on Foreign Relations Special Report, September 2006, Peter G. Peterson, "Costs of Being a Superpower," *Foreign Affairs* 83 (September/October 2004), and Rogoff, "Betting." Rogoff adds that one day the United States will have to pay for its "spendthrift ways," and he wonders whether foreign creditors will readily accept payments in U.S. dollars.

economic upheavals if and when these overseas investors begin to back off from buying U.S. Treasury notes, liquidate their current dollar-denominated positions, or demand payment for their products, such as oil, in currencies other than the U.S. dollar.[57]

The Achilles' Heel of Public Education

Overall U.S. competitiveness in a rapidly changing global setting is also threatened by major problems in its educational system. In the Information Age, the most important natural resource is the human resource, and the United States is falling behind many Western nations and even some developing countries in educating and training its youth. The nation has fallen to 7th in the world in high school completion rates and ninth in high school graduates who enroll in college.[58] Of every 100 current 8th graders, only 18 will graduate from college within a decade.[59] In comparative tests in science, math, and reading comprehension, U.S. students often rank significantly behind their counterparts in many other countries. Even more troubling, U.S. 4th graders do fairly well, 8th graders do more poorly, and 15 year olds do the worst of all.[60] In other words, the longer students spend in the public school system, the further behind they fall in comparative global terms. Today, over 30 million adults in the United States are considered to possess "below basic" skills and few improvements have been noted since the beginning of the 1990s.[61] American universities help some students to catch up, but if trends continue, many institutions of higher learning will need to focus more on remedial training and will become much less attractive to the best and brightest young adults found in other countries around the world. Demographic and immigration trends are also worrisome. Between 1980 and 2000, the proportion of U.S. workers having attended college increased by 20 percentage points, but between 2000 and 2020 the increase is expected to be in the range of only three percent.[62] In addition, university systems in other countries are beginning to catch up to the United States in both quantity and quality. In 1970, for example, the United States enrolled 30 percent of all university and college-level students, a figure which had decreased to 14 percent by 2001.[63]

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[57] Between its peak value in early 2002 to the beginning of 2007, the U.S. dollar was down by 15 percent in real terms against a basket of other major currencies.
[58] William E. Kirwan, "Security Through Education," *Washington Post*, 14 August 2006.
[59] Ibid.
[60] National Center for International Statistics, *The Condition of Education 2006* (Washington, D.C.: U.S. Department of Education, 2006), 2-23.
[61] National Center for Education Statistics, *2003 National Assessment of Adult Literacy* (Washington, D.C.: U.S. Department of Education, 2005).
[62] Uhalde and Strohl, 18.
[63] Ibid., 9-10.

Imperial Overstretch

In his book *The Rise and Fall of the Great Powers* published in 1987, Paul Kennedy predicted that the United States would follow the direction of previous superpowers and overextend itself abroad, resulting in its decline as the preeminent world actor.[64] This is now occurring. The War in Iraq has been an ill-fated venture and has not only cost thousands of American lives but will drain at least a trillion dollars from the Treasury in prosecuting the war, assisting Iraq financially, helping injured soldiers over their lifetimes, and revamping and replacing very expensive military equipment used in the conflict. Even more astonishingly, the world's sole superpower became bogged down for years occupying and trying to pacify a small developing country with almost ideal terrain for fighting traditional conventional warfare, unlike Vietnam, with a population base far below California's, and with a GDP half that of America's smallest state economy, Vermont.[65] The open-ended and ill-defined War on Terror will also cost countless dollars and may place American military personnel in harms way in many parts of the world. Moreover, the United States has pledged to defend Europe, North America, and parts of Asia and the Middle East, and has agreed to consider any attack on these areas as tantamount to an attack on the United States itself. The United States has a network of 737 military bases and other installations in more than 130 countries, excluding the U.S. military presence in Iraq and Afghanistan. These bases are home to more than a half million American military and civilian personnel and their dependents.[66] When one includes the deployment of U.S. naval vessels, an American military presence is found in or near most of the world's 200 or so nations, and plans are under way to increase the number of U.S. ground forces and to continue to produce the most modern and expensive weapon systems known to humankind, with the Bush administration requesting 622 billion dollars for military appropriations in fiscal year 2008 alone. America's unilateral propensity in carrying out its international commitments simply adds to the great burden borne by American taxpayers.[67] The Iraq War quagmire has been a coalition effort in name only, with Americans incurring over 90 percent of all expenses and almost 90 percent of all fatalities. The United States, with less than five percent of the world's population and

[64] Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987).
[65] The World Bank estimates Iraq's GDP in 2005 was 12.6 billion dollars, compared with the U.S. Department of Commerce's estimate of a 23 billion dollar GDP for Vermont.
[66] Chalmers Johnson, "Empire vs. Democracy: Why Nemesis is at Our Door," *TomDispatch.com*, posted 30 January 2007.
[67] David A. Lake, "American Hegemony and the Future of East-West Relations," *International Studies Perspectives* 7 (2006): 23-30.

somewhat more than a fifth of the world's GDP, now accounts for half of the world's military expenditures.[68] Quite bluntly, U.S. global military commitments are unsustainable over a long period of time when placed within the context of debilitating U.S. domestic problems and growing competition from abroad.

Globalization and the Rise of Competitor Nations

No matter how well it does in solving its serious problems at home, the United States will still be less important as an international economic player in 2040 as other nations become more prosperous and play a much more prominent role globally. This trend is already quite clear. At home, the federal government's cumulative debt continues to mount and could conceivably deteriorate to levels far worse than encountered at the end of World War II. U.S. GDP as a percentage of global production is decreasing and will likely fall substantially below 20 percent by 2040. The United States continues to be the world's major international direct investor, but its share of the stock of world direct investment has already fallen from 24.6 percent in 1993 to 19.2 percent in 2005, and there is little reason to believe that this trend will be reversed over the next several decades.[69] Inward direct investment continues to increase, but it is falling as a percentage of overall economic activity, with the share of U.S. output and jobs provided by foreign-owned companies in the United States in decline since 2000.[70] The United States also remains the world's largest trading nation, but Germany, with 80 million people, recently surpassed the U.S. as the leading merchandise exporter and China will soon surpass both of these Western nations. In 1995, the United States was responsible for 11.3 percent of global merchandise exports, but this had dwindled to 8.7 percent by the end of 2005.[71] The United States also ranks 60th in the world in terms of total international trade as a percentage of GDP, meaning that its economy is still relatively insulated.[72] Many U.S. businesses are not willing to venture out into the international trading arena

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[68] Stockholm International Peace Research Institute, "Recent Trends in Military Expenditures," at www.sipri.org. The Institute estimates that the U.S. accounted for 48 percent of the world's military expenditures in 2005. See also the U.S. Central Intelligence Agency, *The World Factbook 2007*, which estimates U.S. military spending to be in the range of 48 percent of total global expenditures.
[69] UNCTAD annual data on total stock of foreign direct investment.
[70] U.S. Council of Economic Advisers, *Economic Report of the President to the U.S. Congress*, 12 February 2007. The share of employment provided by foreign-owned firms declined from 5.1 percent of total employment in 2000 to 4.7 percent in 2004, and output was stagnant as a proportion of total output. Also see Krishna Guha, "White House Fears Foreign Investors Being Put Off U.S.," *Financial Times*, 13 February 2007.
[71] World Trade Organization (WTO) annual data on merchandise exports.
[72] Uhalde and Strohl, 44.

at a time when globalization is more entrenched than ever before, and over the past four decades nearly 60 percent of per-capita GDP growth in the United States has been dependent solely on increases in U.S. domestic consumption.[73] In spite of relative insularity within the United States, global cross-border ownership of assets is internationalizing economic decision-making with aggregate asset holdings already topping 60 trillion dollars, or about 120 percent of the world's GDP.[74] Foreign-owned assets within the United States have recently exceeded U.S.-owned assets abroad, 12.7 trillion dollars versus 10.0 trillion dollars in 2005. This trend is far different from a quarter of a century earlier when U.S.-owned assets abroad were almost twice as high as foreign-owned assets in the United States.[75]

U.S. corporate leadership in an increasingly interdependent world will also be at risk. In 1980, 217 of the world's 500 largest corporations were American. In 1990, the number was down to 164, a decade later it had rebounded to 185, only to fall back to 170 in 2005, just slightly more than the 165 in the European Union.[76] With more than one-third of humanity in China and India now beginning to be integrated into the worldwide market system, and others in the developing world certain to follow over the next few decades, far fewer American corporations will be world leaders by 2040. Perhaps developments in the auto industry are emblematic of what is in store for the American corporate sector in the decades ahead. Through much of the post-World War II period, the Big Three in Detroit and their overseas subsidiaries dominated global auto sales. Today, however, one of the Big Three is still controlled for the moment by a German automaker, DaimlerChrysler, and foreign automakers other than DaimlerChrysler have now captured half of the total U.S. domestic market. Toyota, a Japanese company, currently has a higher market capitalization value than General Motors, Ford, and DaimlerChrysler combined.[77]

Global Insight, a Washington-based economic consulting firm, estimates that China will surpass the United States as the world's largest manufacturer by no later than 2020.[78] A recent Goldman Sachs report predicts that China will also pass the United States and become the world's largest economy in dollar-based

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[73] Ibid., 48..

[74] Kenneth Rogoff, "No Grand Plans, But the Financial System Needs Fixing," *Financial Times*, 8 February 2007.

[75] U.S. Bureau of Economic Analysis, "International Investment Position, Yearend Positions, 1976-2005." These figures are based on direct investment being computed on a current-cost basis.

[76] Corporations are ranked in terms of revenues, and the statistics are based on *Fortune* global 500 listings for the years indicated.

[77] Jon Gertner, "From 0 to 60 to World Domination," *New York Times Magazine*, 18 February 2007.

[78] Peter Marsh, "U.S. to Lose Role as World's Top Manufacturer by 2020," *Financial Times*, 24 May 2007.

GDP by 2041, and that the so-called BRICs (Brazil, Russia, India, and China) will by 2039 produce more than the United States, the United Kingdom, France, Germany, Japan, and Italy combined.[79] America's own National Intelligence Council considers that the chances are very good that the twenty-first century will be known as the "Asian century."[80]

With its huge fiscal liabilities at home, the United States will no longer have the luxury or hubris to account for half of the world's expenditures on the military sector nor to have bases or naval carrier groups scattered around the globe. Entitlement obligations, the likely transition to a single-payer national health-care plan, interest payments on its huge government debt, and a less competitive America on the global economic stage will force major cutbacks in defense spending, in the absence of a legitimate and imminent threat to U.S. national security.[81]

Its diminished economic role internationally reflected in the dwindling importance of the U.S. dollar, combined with growing pressures from globalization, will also force the United States to cast aside much of its unilateral propensities in favor of greater regional and global consultations and collaboration. Dollar reserves as a percentage of total foreign exchange holdings held around the world fell from 55 percent during the first quarter of 2000 to 44 percent during the same quarter of 2006, and corporate bonds denominated in euros now exceed the value of bonds denominated in dollars.[82] London is now challenging New York City as the world's premier financial center and already exceeds its U.S. counterpart in the value of initial public offerings (IPOs) on its stock exchange.[83] Nuclear weapons proliferation, a slew of environmental issues such as climate change and ozone deterioration, the constant specter of an outbreak of endemic diseases, energy shortages, international terrorism and organized crime, and myriad other issues will necessitate unprecedented cross-border cooperation in order to solve many international problems which threaten

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[79] Dominic Wilson and Roopa Purushothaman, "Goldman Sachs Global Economy Paper No. 99: Dreaming with BRICs: The Path to 2050," October 2003. Also consult Emilio Casetti, "Power Shifts and Economic Development: When Will China Overtake the USA?" *Journal of Peace Research* 40 (No. 6, 2003): 661-675.

[80] National Intelligence Council, *Mapping the Global Future* (Washington, D.C.: Government Printing Office, 2004), 9.

[81] In terms of health care, the public sector already pays for 45 percent of all expenses, and that increases to 60 percent when one includes tax subsidies for employer-based insurance. Federal and state governments assuming the final 40 percent should not be an insurmountable task as long as the new system is relatively efficient and cost-effective.

[82] International Monetary Fund Statistics Department COFER database, and Floyd Norris, "Dollar Still Almighty, for Now," *New York Times*, 2 February 2007.

[83] Heather Timmons, "London Moving Up Fast as a World Financial Capital," *International Herald Tribune*, 27 October 2006, and Cahal Milmo, "Spend! Spend! Spend! London Is the New Plutocrats' Paradise," *The Independent*, 9 February 2007.

the day-to-day quality of life of the average American.[84] In the environmental arena alone, how will the anticipated improvement in the standard of living of billions of people in developing countries not be accompanied by growing pressures on the earth's capacity to sustain such economic prosperity? For example, in the auto sector, only 12 percent of the earth's inhabitants currently own vehicles.[85] How will climate change be affected when that percentage increases to 50 percent or more? Moreover, problems such as climate change will be exacerbated further because of the continued reluctance of Washington to do anything substantive about this problem, even though the United States is the number one producer of harmful greenhouse gas emissions.

The world of 2040 with 8.5 billion people will be very much multipolar with key actors including at least China, Japan, India, Russia, the major Western European nations, and the United States. At best, the United States will be *primus inter pares* among this leading group. It will certainly not be a superpower by any stretch of the imagination. Although the U.S. will continue to be the leading military power with the most lethal collection of nuclear weapons and delivery systems, it will hopefully never use these weapons and it will not be able to utilize this arsenal as a bargaining chip to force compliance on major issues from other nations. Instead, a marked proliferation in satellite systems with dual-use applications, the continuing development of weapons of mass destruction, the capacity to engage in cyber warfare, and counter-insurgency capabilities will all become much more prominent dimensions of defense strategies by 2040.[86] In a world where the widespread use of nuclear weapons would obliterate modern civilization, such weapons will count for very little in determining the global influence of individual nation-states. The U.S. nuclear arsenal will dissuade other nations from attacking the American homeland, but even here, 9-11 proved decisively that non-state actors such as terrorist groups may not be deterred from launching their own attacks on American cities.

Americans will need to adapt to the notion that their nation is just one major player among many and that with the increasing overlap of domestic and international issues in an age of globalization, international cooperation will be requisite to safeguard and enhance their own well-being. Historically, the United States has had a rather unique geophysical advantage over other major players because it has been isolated and insulated from various traumatic events because of the two mammoth oceans to its east and west and friendly and much weaker

[84] See the National Intelligence Council, *Mapping the Global Future*, for a discussion of some of the major challenges which will face the United States internationally over the next few decades.
[85] Interview with Lisa Margonelli, author of *Oil on the Brain: Adventures from the Pump to the Pipeline* (New York: Nan A. Talese/Doubleday, 2007), Weekend Edition Saturday, National Public Radio, 24 February 2007.
[86] Michael Krepon, "Target Practice in the Final Frontier," *Washington Post*, 4 February 2007.

nations to its north and south. This geophysical advantage at times evoked envy on the part of other leaders around the world, as manifested by Otto von Bismarck's famous utterance: "There is a Providence that protects idiots, drunkards, and the United States of America." However, this propitious circumstance has eroded substantially in the new era of interconnectedness, interdependence, and, quite frankly, vulnerability to events which transpire or decisions taken outside the confines of one's own nation-state.

Joseph Schumpeter wrote during World War II of an age of "creative destruction" characterized by constant business creation and failures.[87] One may marvel at the massive economic and social changes which occurred in the United States during the twentieth century, with the century beginning with 41 percent of its workforce employed in agriculture, but ending with only 1.9 percent in the agricultural arena.[88] However, the twentieth century changes will pale in comparison to the nature and rapidity of change in the current century. This phrase "creative destruction" has never been more applicable for the United States than in the current era characterized by globalization and unprecedented technological innovations. More than 600,000 companies are created yearly in the United States, but almost as many cease operations. In 2005, 55 million Americans, or 40 percent of the workforce, left their jobs, but because it was a relatively good year economically, 57 million found jobs.[89] Some local communities prosper in this new era, such as cities in Silicon Valley, while others struggle to keep up, such as Detroit. Knowledge is doubling every five years or so, and many Americans are left wondering whether they and their children will be able to survive and prosper in a much more complicated and competitive global and technological landscape.[90] Many would like this global carousel to stop so that they step off and turn back to simpler times in a much more insular national setting. Although such sentiments are understandable, especially during a time when their nation is in a relative state of decline, Americans can never again afford to turn inward and become parochial and protectionist. The exigencies of globalization will not allow it, and the sad lessons from the ultra-protectionist

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[87] Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper & Row, 1942).

[88] Carolyn Dimitri, Anne Effland, and Neilson Conklin, *The 20th Century Transformation of U.S. Agriculture and Farm Policy* (Washington, D.C.: Economic Research Service, U.S. Department of Agriculture, 2005). Agriculture's contribution to total U.S. GDP also fell from 7.7 percent in 1930 to 0.7 percent in 2002.

[89] Data from Job Openings and Labor Turnover Survey (JOLTS), U.S. Bureau of Labor Statistics, quoted in Robert M. Kimmitt, Deputy Secretary of the U.S. Treasury, "Why Job Churn Is Good," *Washington Post*, 23 January 2007.

[90] William J. Clinton, "Remarks by the President to the National Association of Attorneys General," Washington, D.C., 12 March 1998.

Smoot-Hawley era of the 1930s reinforce the poignant shortsightedness of insularity and mercantilism.

John F. Kennedy's words early in his presidency are even more appropriate today than almost a half century ago: "We must face the fact that the United States is neither omnipotent or omniscient—that we are only six percent of the world's population; that we cannot impose our will upon the other 94 percent of mankind; that we cannot right every wrong or reverse each adversity; and therefore there cannot be an American solution to every world problem."[91] Already the United States has a much smaller percentage of the global population and GDP than it did back when Kennedy uttered this warning, and its proportion of the global economy will be smaller yet in 2040.

In conclusion, the United States will not maintain its superpower status through 2040 and several other nations such as China, Japan, India, and Russia, or groups of nations such as the European Union and the Association of Southeast Asian Nations (ASEAN), will exert much more international influence than today. The new era after 2040, which will reflect the shifting power equations now in progress, will be devoid of superpowers and a premium will be placed on multilateral over unilateral solutions to pressing regional and international problems.[92] Perhaps this new epoch will be called the post-superpower or post-hegemonic era, much as previous periods in international relations were called the post-World War II or the post-Cold War eras. Americans will be forced to adjust to the diminishing influence and prestige of their nation, but the rest of the world will also have to adjust to the loss of some security and stability which the benign U.S. superpower provided internationally for several decades. Without any doubt, more of the burden for global security will have to be assumed by other major nations, and China and Japan and several other countries will no longer rely on export sales to the United States as the primary means to boost their own economic fortunes. The year 2040 will bring its own set of new challenges and uncertainties, but governments, businesses, and civil societies will be intertwined more closely and interdependently than at any other time in human history.[93] Hopefully, citizens of the United States will still enjoy a reasonably high quality of life and sense of personal fulfillment in an era of unprecedented change at home and abroad, even though their nation as a whole is adjusting to the end of the American century and the demise of America's superpower status.

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[91] Quoted in Arthur M. Schlesinger, Jr., "Folly's Antidote," *New York Times*, 1 January 2007.

[92] Fareed Zakaria, "Zakaria: Preview of a Post-U.S. World," MSNBC.com, 5 February 2007.

[93] In "Zakaria," the author expresses some concerns about a post-U.S. world: "We are certainly in a trough for America—with Bush in his last years, with the United States mired in Iraq, with hostility toward Washington still high almost everywhere. But if so, we might also be getting a glimpse of what a world without America would look like. It will be free of American domination, but perhaps also free of leadership—a world in which problems fester and the buck is endlessly passed, until problems explode."