

Search



America Hastening Its Own Decline

by [John Ottens](#)
March 7, 2011 Posted in [Opinion](#)



• Featured Article

Since the financial collapse two years ago, conservative commentators have fretted about the stagnation of America's superpower. Coupled with the rise of China and the prolonged war effort in Afghanistan, it seems the United States are no longer on top of the world.



Even if the American economy remains the largest in the world by far, it is declining in relative terms as countries as Brazil, China, India and Turkey rise to regional preeminence and challenge America's leadership in their respective parts of the globe.

- [Economic Freedom And the Arab Revolts](#): From Tunisia to Egypt to Jordan, high unemployment and corruption fueled the recent protests. Bahrain is a rather different story.

With a massive sovereign debt and high unemployment, America can no longer claim the economic clout it once carried. Recent G20 summits, where American negotiators [were rebuffed by their Chinese and German counterparts](#) for advocating a "balancing of trade," are testimony to a changed world, one in which other major economies are not willing to sacrifice in favor of American competitiveness.

While American education standards are declining and, in the words of former Federal Reserve Chairman Alan Greenspan, a surge in government "activism" is preventing the private sector from investing and helping the economy recover, countries across East Asia have adopted the very tenets of Western success—the free market, free and modern science, the rule of law, private property rights—and prospered.

The GE Rolls-Royce F136 engine performs better and costs less.

Learn more at [F136.com](#)

On the Index of Economic Freedom, which is compiled every year by the conservative Heritage Foundation and *The Wall Street Journal*, the United States have been trailing behind the booming economies of East Asia and spiraling downward. These free marketeers blame the government's recent spending spree, "interventionist responses to the economic slowdown," mounting regulatory uncertainty because of financial and health care reform while America's "leadership and credibility in trade have been undercut by protectionist policy stances."

Admiral Michael Mullen, the senior US military chief, characterized his nation's ballooning debt burden as its single greatest national security threat. Political leaders recognize the challenge yet President Barack Obama proposed another \$1.6 trillion in deficit spending for the next fiscal year.

Meanwhile, on the state level, some conservative governors are engaged in fierce budget battles with public sector unions which have protested cuts in pay and benefits that would help their states regain fiscal balance. As the president's health reform law would place a massive new financial burden on states, California, Illinois, New Jersey and New York teeter on the brink of bankruptcy.

There are Republicans who have been willing to address the problems both in the states and on the national level but legislators from both major parties are reluctant to address [America's looming entitlement crisis](#). The costs of pensions, health support programs and unemployment insurance are set to skyrocket this decade to eventually account for half of all federal spending—which is not even counting the many hundreds of billions of dollars the states spend on entitlements.

America is likely to remain the world's uncontested military superpower for decades to come but it is difficult to imagine it effectively projecting power without economic success. Unless unpopular reforms are enacted soon, the country will have to significantly raise taxes or face the possibility of default.

Already, America's "effective" corporate tax rate—which takes into account statutory rates plus tax base

Americas

- [Barack Obama](#)
- [Brazil](#)
- [Latin America](#)
- [Republicans](#)
- [Tea Party](#)
- [United States](#)

• East Asia

- [China](#)
- [Japan](#)

America Hastening Its Own Decline

items that affect taxes paid on investment, including depreciation deductions, inventory allowances and interest deductions—is the highest in the world at 34.6 percent according to the libertarian Cato Institute. That is almost twice the world average and much higher than the 18.6 percent average of countries in the developed world.

Exports only account for some 10 percent of America’s income while many Asian and European economies are heavily dependent on international trade and investment.

As the budget battle in Washington DC revolves around mere billions in cuts in economically distorting housing and agriculture subsidies, there is a good chance that the nation’s enormous fiscal challenge will not be addressed before it is too late.

Instead of letting companies free to prosper and create jobs in the process, the administration has hesitated to remove trade barriers and enacted scores of new regulations that impede growth. Last month, [The Economist estimated](#) that during his first two years in office, President Obama issued 132 “economically significant” new rules—40 percent more than the annual rate under both George W. Bush and Bill Clinton. Many of the regulations associated with health care and financial reform are still uncertain.

The president’s own party is reportedly still contemplating energy reform while Obama himself has stressed the need of investing in renewable energy and clean fuels, [driving up gasoline prices](#) with his *de facto* moratorium on deepwater drilling.

There is a parallel with postwar Britain, [notes Fareed Zakaria in Time](#). America is not exactly an empire in decline but decolonization was not at the heart of the British experience. After more than a century of prosperity, British society became complacent and rigid and its economic arrangements, evermore elaborate and costly.

Labor unions, the welfare state, protectionist policies and massive borrowing all shielded Britain from the new international competition. The system became sclerotic, and over time, the economic engine of the world turned creaky and sluggish.

“America’s success has made it sclerotic,” writes Zakaria. The country will slowly adjust to the latest crisis and likely move on, “but the underlying cancer continues to grow, eating away at the system.”


For most of American history, the country became rich while remaining restless. Rather than resting on their laurels, Americans feared complacency. Zakaria hopes that today’s anxiety will urge them to greatness once again but if the procrastinating in Washington is any indication, there would appear to be less reason for optimism.

Tags: [Entitlement](#), [Fareed Zakaria](#), [Political Theory](#), [United States](#)




Nick Ottens is a graduate student at Leiden University, the Netherlands. He wrote his thesis on the causes of the First Anglo-Afghan War and currently researches Muslim revivalist movements and terrorism in nineteenth century British India. He sympathizes with classical liberalism and blogs about politics and economics at [Free Market Fundamentalist](#).

Like Be the first of your friends to like this.

 Add a comment...

[Login](#) Log in to Facebook to post your comment

 Facebook social plugin

Comments Closed

Comments are closed. You will not be able to post a comment in this post.

- [Korea](#)
- [Taiwan](#)
- [Vietnam](#)
- [Wen Jiabao](#)

• Europe

- [Britain](#)
- [France](#)
- [Germany](#)
- [Netherlands](#)
- [Russia](#)
- [Scandinavia](#)

• Contributors

- [Jason Clark](#)
- [Michelle Copher](#)
- [Dmitry Gorenburg](#)
- [Peter Mellgard](#)
- [James Pritchett](#)
- [Jonathan D. Roger](#)

• Subscribe

- [Facebook](#)
- [Feedburner](#)
- [RSS](#)
- [Tumblr](#)
- [Twitter](#)

• Partners

- [Behind Blue Lines](#)
- [ComingAnarchy](#)
- [Defence of the Realm](#)
- [The Diplomat](#)
- [New Wars](#)
- [War is Boring](#)

© 2011 Atlantic Sentinel. This material may not be published, rewritten or redistributed without permission. [Advertise](#). [Contact](#). [Contributors](#). [Privacy](#). [User agreement](#).