

A faint, light gray world map is visible in the background of the slide, centered behind the text.

GREAT DECISIONS: THE END OF PAX AMERICANA?

Mark Ordway & Brian Harrison
March 12, 2018

John McCain And Angelina Jolie

New York Times Op-ed 3/8/18

"Around the world, there is profound concern that America is giving up the mantle of global leadership. Our steady retreat over the past decade has contributed to a wide array of complex global challenges — a dangerous erosion of the rule of law, gross human rights violations and the decline of the rules-based international order that was designed in the aftermath of two world wars to prevent conflict and deter mass atrocities."

America Should Lead in Saving the Rohingya <https://nyti.ms/2G6oDpk>

How Bush, Obama And Trump Ended Pax Americana

Washington Post 6/27/17

George W Bush's overreach and unilateralism produced alienation among our allies and strengthened our enemies.

Barak Obama's desire to undo Bush's policies and avoid making the same mistakes led him to retreat too far and to be too indecisive in the face of challenges.

And then came Donald Trump. Thanks to his special breed of ignorance, incompetence, incoherence and bluster, he is seen not just as furthering American decline but as a symbol of it.



PAX AMERICANA

A period of relative peace in the Western Hemisphere starting mid twentieth century, due to the dominance of the United States.

Philosophers

Thomas Hobbs

- "No arts; no letters; no society; and which is worst of all, continual fear and danger of violent death; and the life of man, solitary, poor, nasty, brutish, and short"



John Locke

- The nature of man leads to "war of all against all"



Georg Hegel

- "The Eastern nations knew *one* was free, the Greek and Roman world knew only that *some* are free; while we know *all* are free."



Political Scientists

Samuel Huntington

- "Four criteria for measuring the degree of development of the institutions that make up the state: adaptability-rigidity, complexity-simplicity, autonomy-subordination and coherence-disunity"



Francis Fukuyama

- "From that point on, a number of policies appeared that encompassed all three important categories of political institutions; *the state, rule of law, and accountable government.*"



Is America's Influence Declining?

Economics

Now to answer the question, is America's influence in the world declining, foreshadowing the end of Pax Americana.

First we'll look at America's economic influence in the world, where we've been the dominant economic force since the second world war.



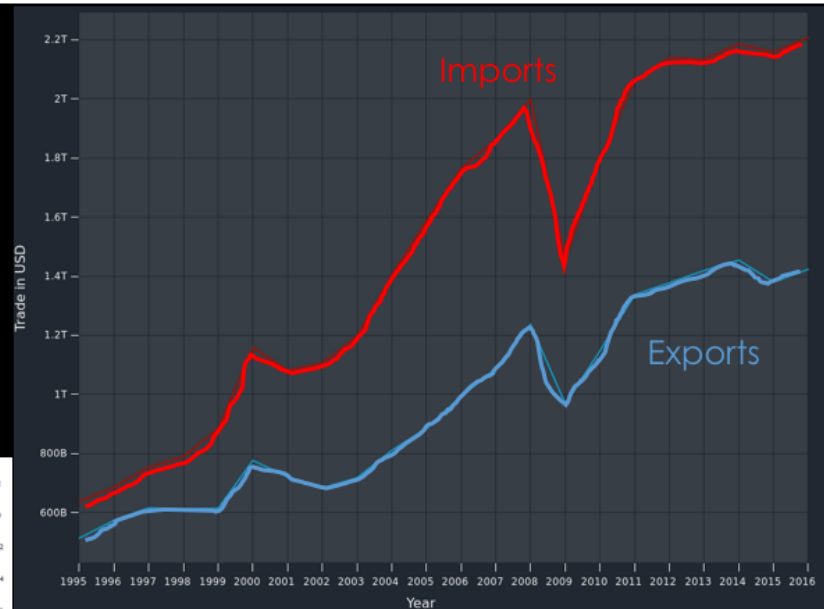
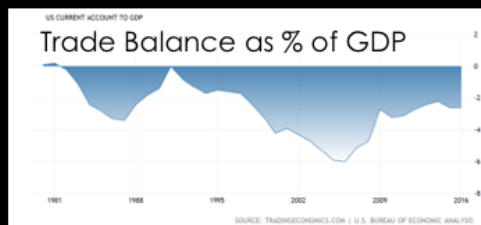
This map shows who is each country's prime supplier of imports.

Historically the USA has been a major supplier of manufactured goods to the world which, combined with a large domestic market, has driven the American economic engine.

However today most of the world imports more from other nations, primarily China, than from the US. This economic dependence can reduce America's influence in the world.

Note however that US goods have a much higher 'complexity' than Chinese goods, with the US still the world's major supplier of advanced technology and weapons.

US Trade Balance 1995-2016



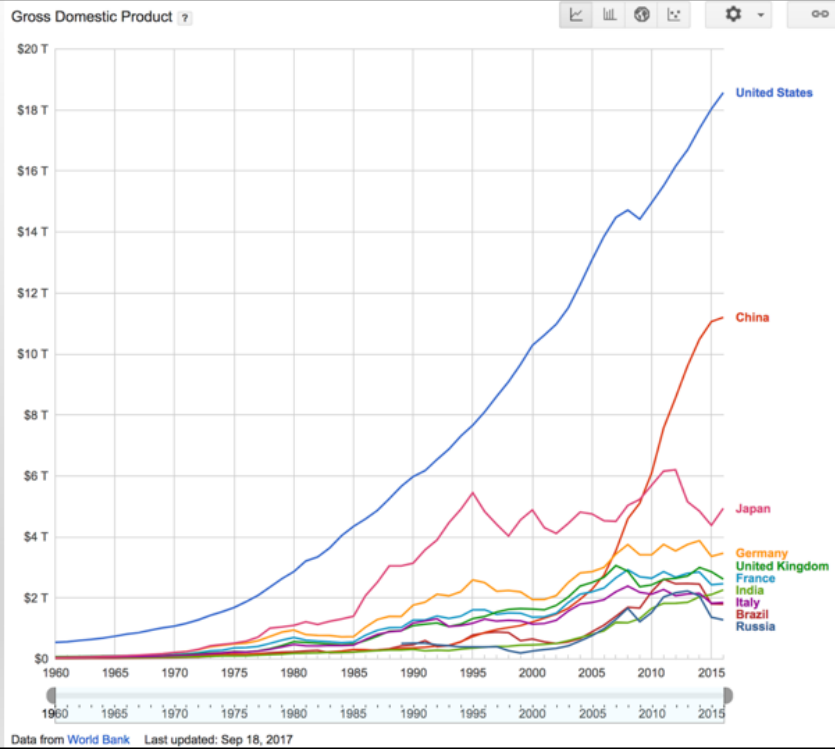
<https://atlas.media.mit.edu/en/visualize/line/hs92/show/usa/all/all/1995.2016/>

World trade has rapidly grown over the last 2 decades, with the USA the #1 importer and #2 exporter (after China).

Our trade deficit has also grown significantly over this time, from a surplus in 1975. This is often cited as a major problem for our economy. However there are some mitigating factors:

- Inexpensive imports hold down inflation
- Foreign lenders have continued to lend the US money. This is a good thing!
- Current economic measures don't take into account added value – e.g. iPhone has little value added in China
- As a % of GDP, things aren't quite so dire as they look

1 In Gross Domestic Product



Note rapid growth of US GDP, far ahead of others
Also note Japan stalled since mid-90s
Surge of China this century

Is US Number 1?

Per-Capita GDP		Labor Force	Average Income
1:	Lichtenstein (\$139K)	1: China (807m)	1: Monaco (\$186K)
20:	USA (\$59K)	2: India (522m)	7: Denmark (\$57K)
41:	Japan (\$43K)	3: EU (235m)	8: USA (\$57K)
46:	EU (\$39K)	4: USA (160m)	17: Germany (\$44K)
71:	Russia (\$28K)	5: Indonesia (126m)	46: Russia (\$10K)
106:	China (\$17K)		51: China (\$8K)

<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html>
<https://www.worlddata.info/average-income.php>

While USA is #20 in per-capita GDP, it is the top 'large' country by far, others are mainly tax havens

Per-capita GDP is more than three times that of China
Top countries are all democracies

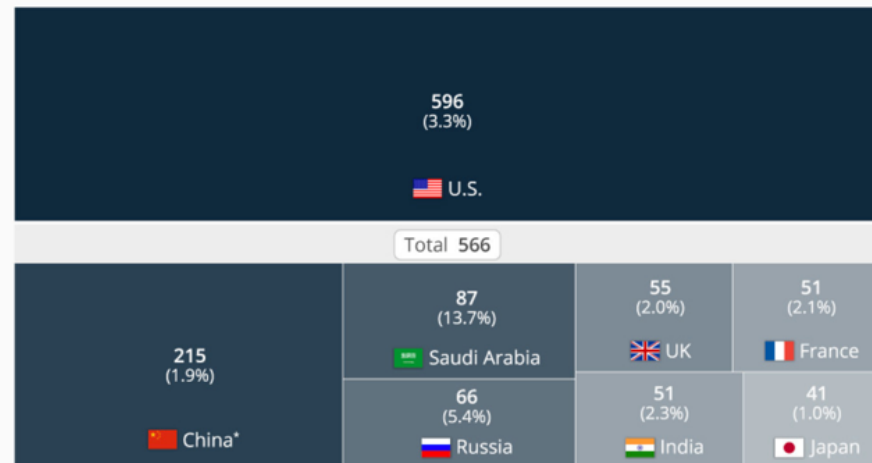
In spite of much smaller population, USA has higher GDP than China & India (and than EU)

Average income highest in small countries, USA 7 times higher than China

#1 In Military Spending

Defense: The U.S. Outspends These Countries Combined

Military expenditure in 2015 in billion U.S. dollars and as share of own GDP



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* SIPRI estimate

Source: Stockholm International Peace Research Institute (SIPRI)

statista

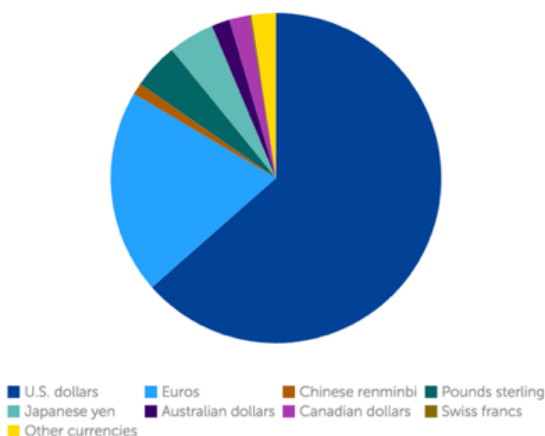
<https://www.weforum.org/agenda/2017/03/the-us-spends-more-on-defence-than-all-of-these-countries-combined/>

USA already outspends other nations by far

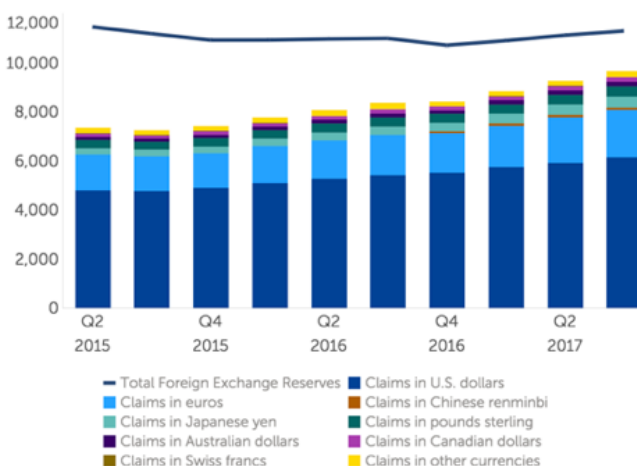
Some nations spend much higher % of GDP, e.g. Saudi Arabia

US\$ Is 2/3 of World Reserve Currency

World - Allocated Reserves by Currency for 2017Q3



World - Official Foreign Exchange Reserves by Currency (US Dollars, Billions)




<http://data.imf.org>

In 19th century the UK pound was the world's default currency, but today is the US\$.

While Euro does play a role in stabilizing foreign exchange, US\$ still the strongest player by far.

This gives the US government ability to borrow money at very low rates, and keeps the US\$ higher than it would otherwise be.

Nations buying US\$ have an interest in keeping the US economy vibrant

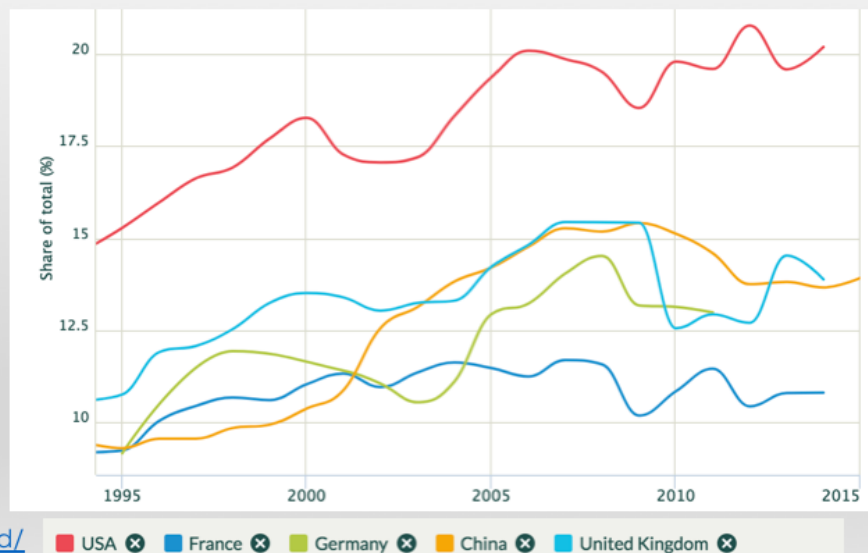


Is America's Influence Declining?

Nationalism, Populism & Migration

What are some of the key pressures on USA as world leader?

Top 1% Share Of National Income



USA has rising income disparity, with growth of wages at the top contrasting with stagnant wages at bottom 50%

Also note even China has a large income disparity

Populism

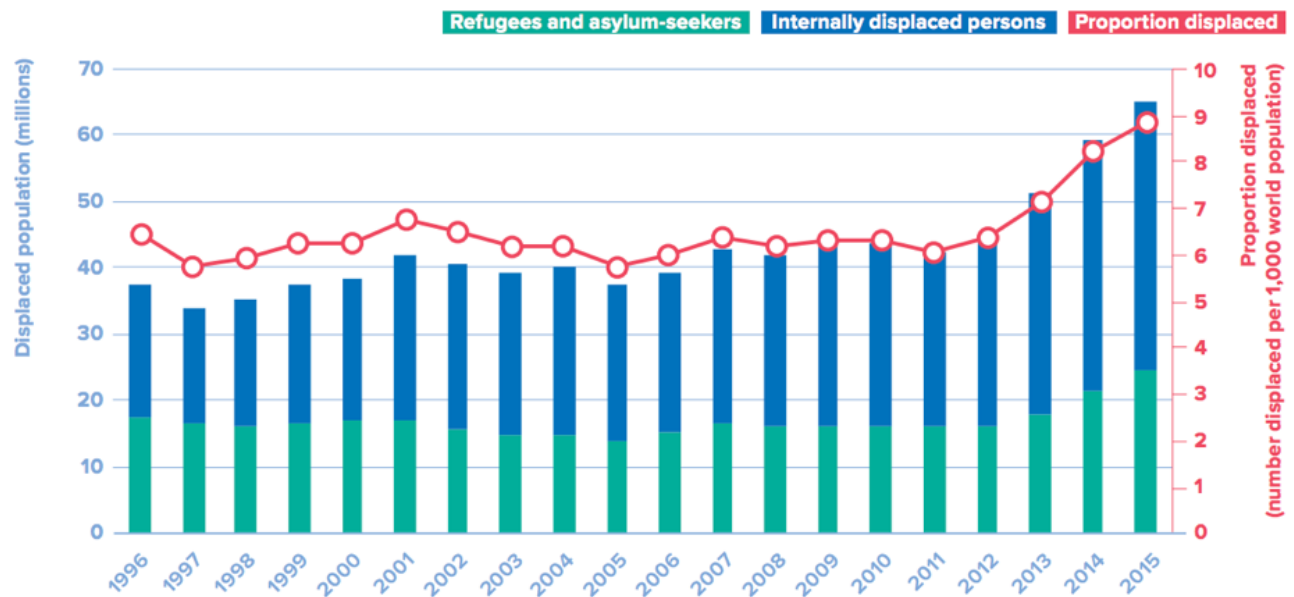
- The idea that society is separated into two groups at odds with one another - "the pure people" and "the corrupt elite"
- On Left
 - Venezuela: President Chávez
 - Spain: Podemos party
 - Greece: Syriza
 - Italy: Five Star Movement
- On Right, combine with [anti-immigrant] nativism and authoritarianism
 - France: Marine Le Pen
 - Hungary: Viktor Orbán
 - US: Donald Trump

A number of democracies are faced with pressure from groups that feel disenfranchised by the 'ruling elite'

Many right-wing populist movements blame immigrants for the woes of the masses

Putting pressure on EU, global trade, immigration

Fig.1 Trend of global displacement & proportion displaced | 1996 - 2015 (end-year)

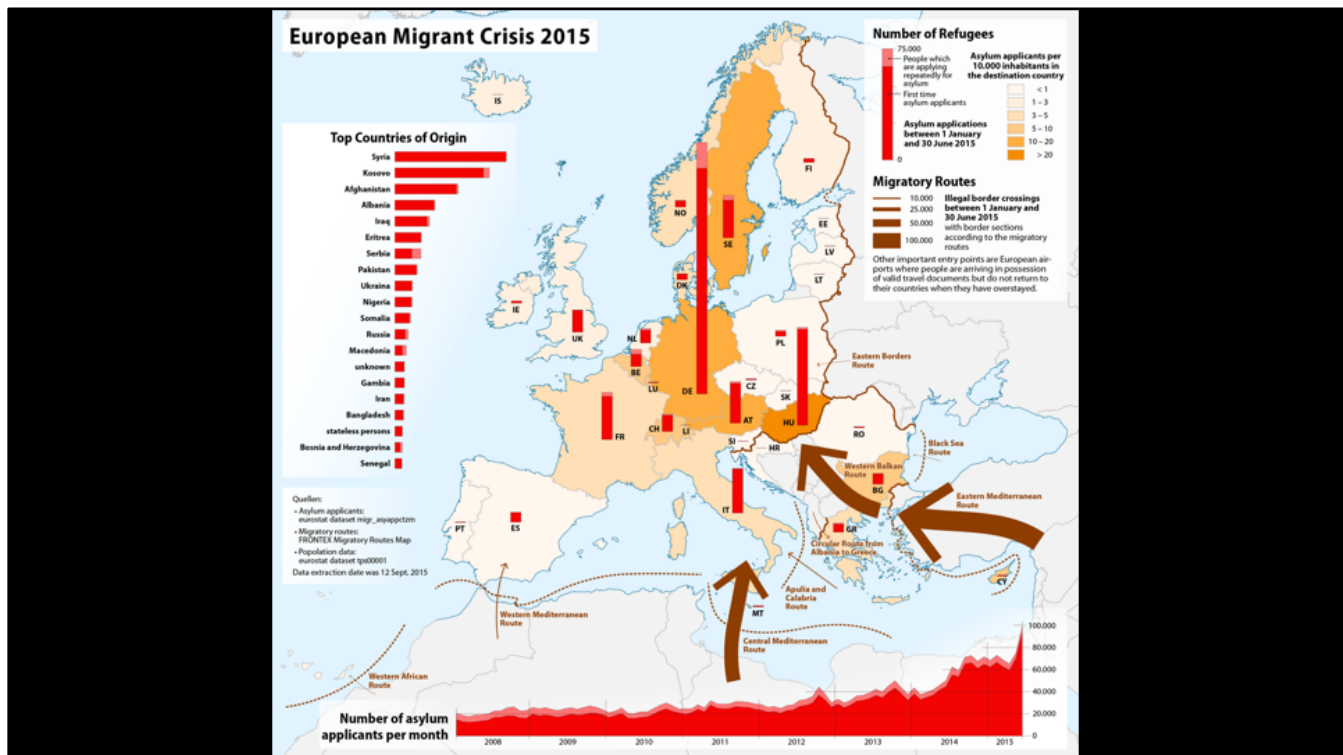


<http://www.unhcr.org/576408cd7>

Significantly rising numbers of migrants, many internally displaced

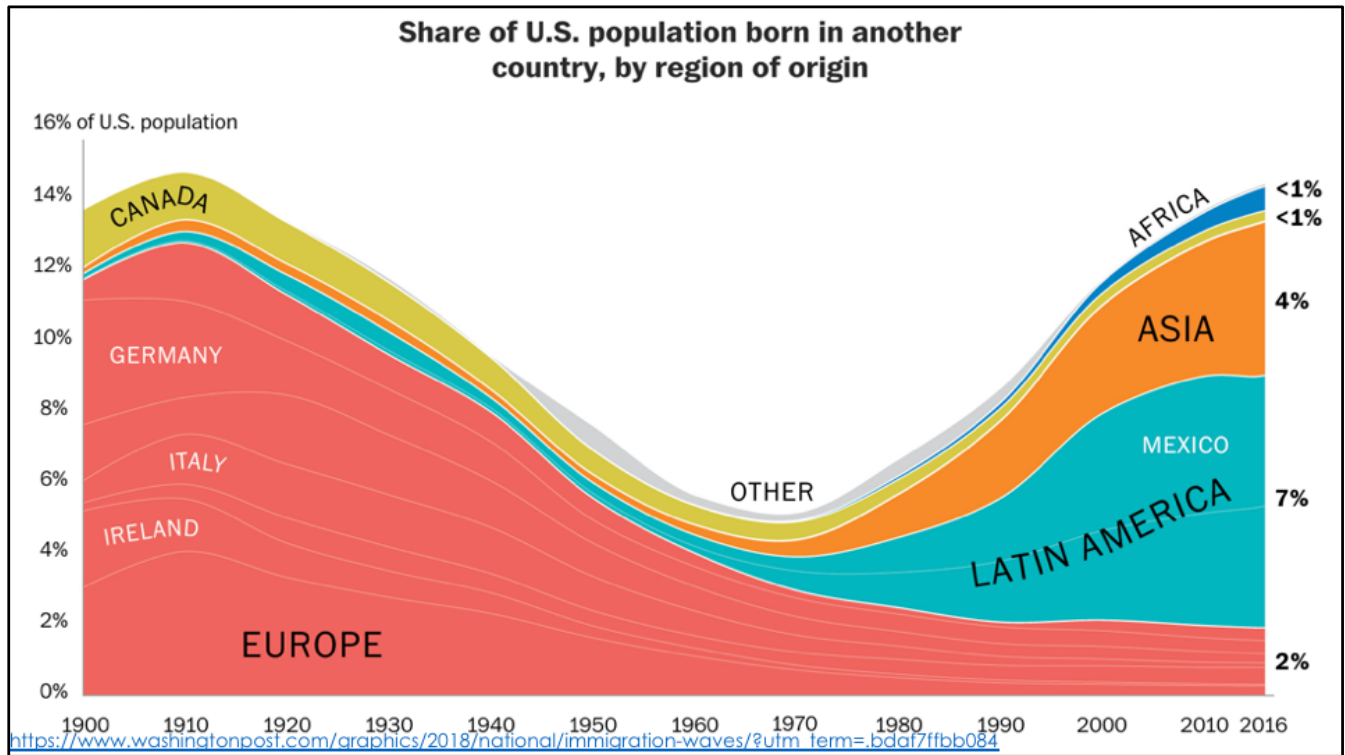
Causes:

- War & unrest
- Famine, some climate related



Surge in asylum seekers in the last ten years
Mainly from war-torn area: Syria, Kosovo, Afghanistan,...

In addition economic migration within EU causing pressures inside EU countries – e.g. Brexit



US has had a large increase in immigration from Latin America and Asia, replacing the Europeans of 100 years ago

We have around the same % of immigrants as we did 100 years ago

USA Is Still The Dominant Global Power

- Strongest economically
 - Largest economy
 - Advanced technology
 - Wealthiest large nation
 - Default world currency
- Strongest militarily
 - Outspends others by far
 - Presence in most countries
 - Largest intelligence services
- Strongest political system
 - Democracies have outlasted authoritarian regimes

BUT

- Democracy under threat
 - Populism leading to authoritarianism
 - USA no longer shining example
- Walking back treaties
 - NAFTA, TPP
 - Iran Nuclear Agreement
- Inward-looking policies
 - Weakened global trade
 - Tariffs threaten trade wars
 - Anti-immigrant stance
 - Weakened diplomacy
- Rising power of China