THE DEBATES SURROUNDING AMERICA'S HEGEMONIC DECLINE:

A Critical Assessment

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DECLARATION

I hereby declare that this subthesis is my own work and that all sources used have been acknowledged.

Steven S. Clyne

<u>CONTENTS</u>

CHAPTER ONE

Introduction

As the United States led the military, economic and diplomatic response to Iraq's invasion of Kuwait, Secretary of State James Baker was asked whether the determined American leadership discredited the frequently asserted notion that America had been toppled from its hegemonic pedestal. He responded that he never believed such theories.[1] To many people, Secretary Baker's assessment would seem fairly reasonable. After all, in the previous year he--along with the rest of the world--had witnessed the collapse of Soviet power in Eastern Europe, the rejection of communist controlled command economies in favour of democracy and market-based economies, and the heralding of the 'end of the Cold War.' The obvious implication was that the U.S., as the leader of the non-communist world, had 'won' the Cold War. Furthermore, the Kuwaiti crisis was proving that global leadership could not be based exclusively upon a vibrant national economy. Though endowed with flourishing economies, Germany (or the European Community for that matter[2]) and Japan appeared incapable of assuming the mantle of world leadership. The United States, alone, demonstrated the capability and willingness to project its military might into the Persian Gulf to deter further Iraqi aggression and, ultimately, to eject Iraq from Kuwait.

Within a period of two years, then, America had achieved a victory by default in the Cold War and had won a decisive and fairly painless battlefield victory over Iraq. As *The Economist* pointed out, these back-to-back successes have "...lifted the shadow of Vietnam and expunged the memory of Jimmy Carter's impotence....Even the mood of economic defeatism that spread at the end of the 1980s may have gone for a while.

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1 Stephens, Peter, 1990. "Bush Warns Iraqis: Don't Try to Ship Oil." *The Age* (12 August 1990), p. 11.

2 According to Belgian Foreign Minister Mark Eyskens, the E.C.'s performance during the Gulf crisis demonstrated that the Community was "an economic giant, a political pygmy and a military larva." Quoted in Painton, Frederick, 1991. "Star-Crossed." *Time* (22 April), p. 18.

America feels on top of the world."[3] Consequently, allegations of American decline and loss of hegemonic status appear passé to many people. In fact, what might be termed the 'old debate' over American decline appears to have been replaced with a 'new debate'[4] over the United States' role in the post-Cold War and post-Gulf War world.[5] Without a doubt, this debate is of vital importance and should be engaged in at all levels. However, just because the Cold War and Gulf War have ended in terms that are favourable for the United States, it does not necessarily follow that U.S. decline has been arrested and that American hegemony is a 'sure thing.' Though these recent victories may enhance American hegemony is certain respects, the fact remains that the Cold War and Gulf War were *politico-military* victories that do little to arrest or reverse America's *economic* decline, which is the focus of most of the hegemonic decline literature.

Accordingly, this subthesis will critically analyze much of the literature associated with U.S. decline and international hegemony in order to establish America's current hegemonic status. Chapter two will set the foundation for this analysis by assessing side-by-side the arguments of the "declinists" and the "anti-declinists."[6] In particular, this chapter will examine Paul Kennedy's notion of 'imperial overstretch' and broader allegations--and denials--concerning America's economic decline. Although the anti-declinists effectively discredit many of the assumptions inherent to imperial overstretch, they are much less successful in countering the more general arguments relating to U.S. economic decline. The analysis in chapter two reveals that U.S. dominance of the global economy has been significantly undermined as a result of,

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3 *Economist*, 1991. "On top of the world?" (9 May), p. 15.

4 The term 'new debate' does not deny the fact that a similar debate over America's role in the world has taken place on more than one occasion in this century.

5 See, *e.g.*, the recent series of articles published in *The National Interest*, 1989-90 and 1990. "America's Purpose Now." (No. 18, Winter; No. 19, Spring, No. 20, Summer and No. 21, Fall); see also *IISS Adelphi Papers No. 256: America's Role in a Changing World, Part I* (winter) and *IISS Adelphi Papers No. 257: America's Role in a Changing World, Part II* (winter).

6 The term declinist was first coined by Samuel Huntington in "The U.S.--Decline or Renewal?" *Foreign Affairs* (Vol. 67, No. 2, 1988-89). The anti-declinists have alternatively been labelled by Paul Kennedy as "revivalists" in "Fin-de-Siecle America." *New York Review of Books* (Vol. 37, No. 4, 28 June 1990). It must be pointed out that not all declinists endorse identical arguments. Likewise, those who deny U.S. decline do so for various reasons and using different indicators. Nevertheless, for the purposes of this subthesis authors will be broadly identified as either declinist or anti-declinist/revivalist.

inter alia, low growth rates, reliance on foreign capital to subsidize the budget deficit, America's burgeoning national debt, and persistent trade deficits.

Chapter three will tackle the theoretical issues inherent to hegemony. David Rapkin has observed that there is a "...conceptual thicket surrounding hegemonic leadership" and that the literature on hegemony "...lacks consensual agreement on its definition and rules of application."[7] Consequently, it is problematic--if not impossible--to posit a singular definition of hegemony. Accordingly, chapter three critically assesses three leading conceptions of hegemonic power: the neo-realist approach with its focus on material resources, Susan Strange's notion of structural power, and Gramscian analyses which emphasise cultural hegemony and the legitimization of hegemonic leadership. By applying some of the data and conclusions from chapter two, it becomes clear that each of the three approaches paints a different picture of U.S. hegemony. It also becomes apparent that much of the decline debate has been conducted within a framework that reflects the neo-realist approach. Perhaps it is not surprising, then, that the neo-realist assessment indicates that American hegemony has passed, while the Strange and Gramsci analyses suggest that U.S. hegemony endures. When one weighs the strengths and weaknesses of each of the approaches, Susan Strange's conception of structural power offers the most cogent framework for analyzing hegemonic power, though she herself overstates the scope of U.S. hegemony.

Finally, the concluding chapter of this subthesis discusses a few of the implications of America's relative decline for U.S. foreign policy in the post-Cold War and post-Gulf War world.[8] It also identifies the most critical, and arguably the most fragile,

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7 Rapkin, David, 1990a. "The Contested Concept of Hegemonic Leadership." *World Hegemony and Leadership*. Rapkin, ed. (Boulder: Lynne Rienner Publishers), pp . 18, 2.

8 The implications of America's relative decline for U.S. foreign policy could easily be the central focus a subthesis. Due to space constraints, the implications raised in the concluding chapter are by no means exhaustive. For a sampling of recent literature that addresses this topic see Bergsten, C. Fred, 1990. "The World Economy After the Cold War." *Foreign Affairs* (Vol. 69, No. 3), pp. 96-112; Brenner, Michael, 1990. "Finding America's Place." *Foreign Policy* (No. 79, Spring), pp. 25-43; Brenner, 1991. "New Terms of Engagement." *SAIS Review* (Vol. 11, No. 1), pp. 11-26; *Challenge*, 1990. "Interview--C. Fred Bergsten: A New Big Three to Manage the World Economy." (Vol. 34, No. 1), pp. 17-25; Guehenno, Jean-Marie, 1990-91. "America's Role in New Security Architectures." *Adelphi Papers, No. 256: America's Role in a Changing World, Part I* (Winter), pp. 98-114; Hatfield, Mark O. and Matthew F. McHugh, 1991. "After Containment: A New Foreign Policy for the 1990s." *SAIS Review* (Vol. 11, no. 1), pp. 1-10; Huntington, Samuel, 1991. "America's changing strategic interests." *Survival* (Vol. 33, No. 1), pp. 3-17; Kaiser, Karl, 1989. "A view from Europe: the US role in the next decade." *International Affairs*

component of American hegemony; namely, internal forces that influence America's ability to serve as the world's hegemon. The domestic element of U.S. hegemony is generally overlooked in the hegemonic literature. Yet, an analysis which takes account of domestic factors--some of which seem to be unique to the United States--reveals a more satisfying, albeit less optimistic, assessment of American hegemony.

(Vol. 65, No. 2), pp. 209-23; Kelleher, Catherine McArdle, 1990-91. "The Future Nature of US Influence in Western Europe and North-East Asia." *IISS Adelphi Papers, No. 256: America's Role in a Changing World, Part I* (Winter), pp. 23-36; Maynes, Charles William, 1989. "Coping with the `90s." *Foreign Policy* (No. 74, Spring), pp. 42-62; Nye, Joseph S., Jr., 1990e. *Bound to Lead: the Changing Nature of American Power* (New York: Basic Books); Pfaff, William, 1990. "Redefining World Power." *Foreign Affairs* (Vol. 70, No. 1), pp. 34-48; Ravenal, Earl C., 1990-91. "The Case for Readjustment." *Foreign Policy* (No. 81, Winter), pp. 3-19; Solarz, Stephen, J., 1990. "America's Purpose Now--Of Victory and Deficits." *The National Interest* (No. 21, Fall), pp. 44-47; and Walker, Martin, 1990. "The U.S. and the Persian Gulf Crisis." *World Policy Journal* (Vol. 7, No. 4), pp. 791-99.

CHAPTER TWO

A Critical Assessment of American Decline

According to Robert Gilpin, "the era of American hegemony lasted but a few decades."[1] Samuel Huntington, on the other hand, confidently asserts that "...American hegemony looks quite secure."[2] Gilpin and Huntington are but two of the scholars and policy-makers who entered into the debate over America's decline that raged during the 1980's. The debate was significantly fuelled with the publication of Paul Kennedy's *The Rise and Fall of the Great Powers*.[3] It is worth noting that several scholars have criticised the conduct of this debate. Richard Higgott, for instance, has made the point that:

> The debate has been grossly, and to my mind needlessly, polarised. Picked up by the media, quite carefully measured, analytical, scholarly texts have been used to portray the US as a jaded, passé superpower. This is distortion of the works of Kennedy, Calleo, Gilpin *et al.*[4]

Similarly, Linda Miller has criticized the debate for being a "...series of competitive monologues."[5] While such criticisms are well taken, the fact remains that the outcome of the debate has important implications--not only for the United States but also for the wider international community. As Susan Strange has stressed:

> At the end of the day the apparent victor in the argument, and the broad conclusions that the spectators draw, will crucially affect decisions in the real world. It cannot help but affect the policy choices made in the future by people in business, banking and government, in the United States and in other countries around the world.[6]

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1 Gilpin, Robert, 1987. *The Political Economy of International Relations* (Princeton: Princeton University Press), p. 344.

2 Huntington, Samuel, 1988-89. *op. cit.*, p. 84.

3 Kennedy, Paul, 1988. *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000.* (London: Fontana Press).

4 Higgott, Richard A., 1989. *The Evolving World Economy: Some Alternative Security Questions for Australia*, (Canberra Papers on Strategy and Defense, No. 51: SDSC, A.N.U.), p. 31.

5 Miller, Linda, 1990. "American foreign policy: beyond containment." *International Affairs* (Vol. 66, No. 2, April), p. 313.

6 Strange, Susan, 1988a. "The Future of the American Empire." *Journal of International Affairs* (Vol. 42, No. 1, Fall), p. 1. Despite his criticism of the debate, Higgott concurs with Strange on this point, noting that the debate "...has implications for policy and policymakers--in smaller states especially." Higgott, 1989. *op. cit.*, p. 30.

Even though Strange rejects many of the declinists' arguments, her observation reveals the need to insure that both the general public and national elites do not complacently accept American hegemony as a given simply because the U.S. is currently 'riding high.' The declinists' and anti-declinists' positions must be critically assessed, side by side, in order to identify Strange's 'victor at the end of the day.[7] In doing so, this chapter will focus on their respective arguments regarding imperial overstretch and America's economic decline.

Imperial Overstretch

Writing just a few years ago, many declinists warned that the United States faced a situation analogous to those of previous empires--particularly the United Kingdom--where, as Kennedy asserted, "...the sum total of the United States' global interests and obligations is nowadays far larger than the country's power to defend them all simultaneously."[8] In its role as a hegemon, the United States has increasingly taken on additional international commitments as its global interests have expanded. According to Kennedy, these interests have become "...so widespread that it would be difficult to defend them all at once, and yet almost equally difficult to abandon any of them without running further risks."[9] At the same time that its world-wide interests have expanded, American military and economic domination has declined in relative terms. Consequently, the U.S. finds itself in a situation where it has to devote an ever increasing proportion of its national wealth to the task of maintaining its global commitments and holding its 'empire' together. As it does so, it will engage in an exercise of "overstretch" by directing more of its resources towards the military, which in turn squeezes out productive investment with detrimental effects on the national economy. Yet, rather than recognizing the downward cycle that overstretch causes and taking action to reverse the decline, a hegemon will feel

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7 While this subthesis has identified two main camps in the debate over America's hegemonic status, on some issues the line that distinguishes certain declinists from anti-declinists is relatively ambiguous. For instance, as will be discussed below, both sides agree that there are serious economic challenges confronting the U.S., such as the twin deficits. Yet, it is worth noting that while both sides may concur on the existence of such problems, they can still be distinguished from one another by the degree of optimism they have in the capacity of the United States to tackle successfully these issues.

8. Kennedy, 1988. *op. cit.*, p. 666.

9 *Ibid.*

increasingly vulnerable and will devote even more of its decreasing wealth to defending its global interests. The outcome is almost a given; hegemonic decline caused by imperial overstretch is most unlikely to be reversed. In all probability, the United States will follow the path set by previous hegemons and fail to adjust its ends to accommodate for its diminished means.[10]

The recent American deployment in the Gulf has already been compared by Kennedy to Spain's massive military support of the Habsburgs during the 30 Years War and to Britain's deployment of more than 300,000 troops to South Africa in the Boer War. Both cases, similar to the U.S. intervention in Kuwait, demonstrated the impressive military might of each country at the time. Yet, the military campaigns only served to overshadow and exacerbate the internal weaknesses of the respective national economies and infrastructures. In the American case:

> The cause may be just, the deployment impressive and the actual fighting of US forces...may demonstrate efficiency and resolve. But all this will divert national attention, energies and resources from dealing with America's growing fiscal, technological and educational weaknesses. Mr. Bush, like Philip IV of Spain, prefers the glorious role of commander-in-chief to haggling over budget deficits....The real problem, it seems, has not been the force-projection capacities of the current number one, but a failure to recognise that long-term wealth and strength depend on the non-military dimensions of national power and on making hard political decisions on the home front.[11]

Thus, rather than solving its domestic problems, many of which are the by-product of imperial overstretch, the United States continues to over-extend itself in order to protect and secure excessive global interests.

Anti-declinists are quite sceptical of the relevance of the imperial overstretch arguments as applied to the U.S. In the first place, as Joseph Nye has pointed out, rather than spending more on defense from one generation to the next, American defense outlays demonstrate an overall declining trend. In the 1950's the United States devoted close to ten percent of its GNP to defense; even with Reagan's massive military build-up in the early 1980's American defense outlays had dropped to roughly six percent of national GNP

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10 Although Kennedy maintains that, "I don't regard the American future as anything like foreclosed," he draws a rather foreboding picture and concedes that he "...wouldn't want to count on" America turning itself around. Quoted in Heilbroner, Robert, 1989. "Is America Falling Behind? An Interview with Paul Kennedy." *Dialogue* (No. 4), pp. 36, 37.

11 Kennedy, Paul, 1990. "Display of might, but a gulf with the power that counts." *The Times* (1 September), p. 10.

by the end of the decade. In his critique of Kennedy's arguments, Owen Harries observes, "Oddly, despite his constant emphasis that it is *relative* rates that are crucial, when it comes to military expenditure it is actual sums--'more and more of their resources,' rather than the percentage of what is available--that seem to count for Kennedy."[12] (emphasis in original) Given the overall declining pattern of U.S. defense spending, as a share of GNP, Nye concludes that, "The United States does not fit the theory of imperial overstretch."[13] Moreover, like the U.S., Taiwan and South Korea--countries that experienced double digit growth throughout the eighties--devote around six percent of their GNP to defense.[14] Samuel Huntington makes the point that defense spending is not the main culprit for crowding out productive investment, as Kennedy's imperial overstretch thesis suggests. Rather, in the American case, high levels of consumer spending coupled with low savings rates are to blame. "Consumerism, not militarism, is the threat to American strength."[15]

Those who reject the idea of American decline also point out that the historical analogies employed by Kennedy and Gilpin to demonstrate the excessive costs of 'empire maintenance' involved hegemons that assumed overseas commitments requiring permanent occupation and control. While the U.S. certainly has international interests and military commitments--its NATO obligations and the Gulf War immediately come to mind--anti-declinists point out that it is not an overseas empire in the traditional sense.[16]

They further claim that these historical analogies are inappropriate to the American case because hegemons of the past faced strong rivals. In the words of Jeffrey Garten, "...today's historical circumstances are unique in that America does not face threats by any power with strong military *and* economic assets."[17] (emphasis in original) The Soviet

12 Harries, Owen, 1988. "The Rise of American Decline." *Commentary* (Vol. 85, No. 5), p. 35.

13 Nye, Joseph S., Jr., 1990a. "The Misleading Metaphor of Decline." *Atlantic Monthly* (March), p. 88.

14 Kupchan, Charles A., 1989. "Empire, Military Power, and Economic Decline." *International Security* (Vol. 13, No. 4), fn 26.

15 Huntington, 1988-89. *op. cit.*, p. 88. Aaron Friedberg makes a similar point by observing that "...it would be more reasonable to say that, if investment has suffered, it has been at the expense of defense and private consumption combined." Friedberg, Aaron, 1989. "The Political Economy of American Strategy." *World Politics* (Vol. 41, No. 3), p. 400. For an argument that defense need not be cut at all for investment to rise, see Bator, Francis M., 1989. "Must We Retrench?" *Foreign Affairs* (Vol. 68, No. 2), pp. 93-123.

16 Nye, 1990a. *op. cit.*., p. 88.

17 Garten, Jeffrey E., 1987-88. "Is American Decline Inevitable?" *World Policy Journal* (Vol. 5, No. 2), p. 161.

Union is grappling with an economy in crisis, cutting defense spending and focusing on a range of domestic problems that threaten to tear the nation apart. Japan is an economic power-house but lacks the ability to project its military assets outside of the immediate region and appears ill-suited and unprepared to assume a high-profile leadership role in the international political arena.[18] Finally, even a united Germany possesses an economy only one fifth the size of the U.S., and German attention in the foreseeable future will likely focus on integrating as a nation and asserting itself in the European Community. Moreover, both Japan and Germany--the two nation's most commonly identified as potential replacements to American hegemony--are viewed by the U.S. as political, economic and ideological partners who share common interests.[19] Consequently, competition with them is not perceived in strict zero-sum terms, where one nation's gain is another's loss. As anti-declinists have noted, this stands in stark contrast to the historical analogy of Britain, where gains by Germany were viewed as losses by the United Kingdom. In a related argument, Harries points out "...one other crucial difference between the United States and most of the earlier 'number one' powers: the fact that while they were confronted by coalitions of hostile states, the United States *leads* a grand coalition against its main rival, which all other major powers (even China) consider more alien and threatening."[20]

Looking at the above arguments, the anti-declinists case is more convincing, particularly when the impact of the end of the Cold War and the conduct of the Gulf War are considered. In the first place, many of Kennedy's assertions about imperial overstretch simply do not seem to apply to the American case. As an historian he relies heavily upon historical analogies--comparing the United States to previous 'number-ones' where:

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18 See, *e.g.*, Sinha, R., 1988. "U.S. Hegemony and the Japanese Challenge." *Co-existence* (Vol. 25, No. 3), pp. 264-68 and Rapkin, David P., 1990b. "Japan and World Leadership?" *World Leadership and Hegemony*. David Rapkin, ed. (Boulder: Lynne Rienner Publishers), pp. 191-212.

19 Stephen Gill and David Law use the term 'organic alliance' to reflect the degree to which Japanese and German interests have become intertwined with those of the United States. See Gill, Stephen and David Law, 1988. *The Global Political Economy: Perspectives, Problems and Policies* (Baltimore: Johns Hopkins University Press), p. 351.

20 Harries, 1988. *op. cit.*, p. 34.

> ...the growing foreign challenges to their position have compelled them to allocate more and more their resources into the military sector, which in turn squeezes out productive investment and, over time, leads to the downward spiral of slower growth, heavier taxes, deepening domestic splits over spending priorities, and a weakening capacity to bear the burdens of defence.[21]

Yet, the fact remains that U.S. has not allocated "more and more" of its resources into the military sector. Although defense spending as a proportion of GNP rose slightly during Reagan's tenure (from approximately five percent to 6.6 percent),[22] it reached a plateau in 1986 and has since resumed its pattern of declining as a proportion of GNP.[23]

Given the fading Soviet threat, this pattern of reduced military expenditures will in all likelihood continue.[24] Admittedly, the Gulf War has raised questions about the speed with which U.S. defense cuts will be made. Still, the Bush administration appears serious about reducing defense expenditures. General Colin Powell has spoken of plans to reduce military personnel by twenty-five percent, and Secretary of Defense Cheney recently announced the department's intention of closing more than thirty military bases in the United States.[25] Similarly, the U.S. Air Force has reduced its order of new generation tactical fighters by one hundred, thereby saving up to $15 billion.[26] With the end of the

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21 Kennedy, 1988. *op. cit.*, p. 689.

22 Friedberg, 1989. *op. cit.*, Figure 2, p. 386.

23 America presently devotes 5.4 percent of GNP to defense. Current administration projections forecast defense spending to fall to four percent of GNP by 1995--the lowest level since the outbreak of World War II. Krauthammer, Charles, 1990. "The Problem: Understretch at Home." *International Herald Tribune* (29-30 September). It is worth noting that even if the U.S. spent more than 10 percent of its GNP on defense (a figure cited by Kennedy as the level which will likely limit economic growth), such spending will not necessarily impinge upon economic growth. The relationship between defense spending and economic performance remains contested. For a partial survey of the literature on this point, see Chan, Steven 1985. "The Impact of Defense Spending on Economic Performance: A Survey of Evidence and Problems." *Orbis* (Vol. 29, Summer), pp. 403-34; Clayton, James L., ed., 1970. *The Economic Impact of the Cold War* (New York: Harcourt Brace); DeGrasse, Robert W., Jr., 1983. *Military Expansion, Economic Decline: The Impact of Military Spending on U.S. Economic Performance* (Mamonk, N.Y.: M.E. Sharpe, Inc.); Dumas, Lloyd, 1986. *The Overburdened Economy* (Berkeley: University of California Press); Hartland-Thunberg, Penelope, 1988. "From Guns and Butter to Guns versus Butter: the Relation between Economics and Security in the U.S." *The Washington Quarterly* (Vol. 11, No. 4), pp. 47-54. Kennedy, Gavin, 1975 . *The Economics of Defence* (London: Faber & Faber); and Russett, Bruce, 1982. "Defense Expenditures and National Well-Being." *American Political Science Review* (Vol. 76, December), pp. 767-77.

24 Harries states that the balance a country maintains between its defense commitments and its available resources depends upon the "...*seriousness of the threat* a country faces." (emphasis in original) Thus, as the threat recedes and a "...more benign environment..." emerges, it is likely that the balance will shift increasingly away from defense expenditures. Harries, 1988. *op. cit.*, p. 33.

25 *ABC World News.* 11 April, 1991.

26 *Ibid*, 22 April, 1991.

Cold War, it is unlikely that there will be Congressional support for increased defense spending. The notion of a 'peace dividend' has raised popular expectations for reduced military spending; the Gulf War has not stymied this expectation, nor has it diminished the number of other domestic priorities which compete for financing.

Moreover, Kennedy's assertion that "growing foreign challenges" compel a hegemon to devote greater resources to the military seems almost preposterous when applied to America in the 1990's. It assumes that the "growing foreign challenges" will be of a military nature. Yet, there is general consensus that the challenges America faces at present involve economic competitiveness rather than military intimidation. As Huntington puts it, "In 1980 in the United States, the Soviet military threat was on the public mind....Today, the Japanese economic threat is on people's mind. The concern is not missile vulnerability but semiconductor vulnerability."[27] The way to meet such challenges certainly does not lie in increased defense spending. Once again, then, the argument that America is bound to devote more money to the military sector--at the expense of its economic vitality--appear off the mark.

Just as the United States seems prepared to limit its defense expenditures, the country also seems to recognize the need to curtail its overseas commitments--notwithstanding its intervention in the Gulf. The end of the Cold War represents a sort of 'window of opportunity' for America to bring its global responsibilities in line with its financial capabilities.[28] Thus, the notion that a hegemon will over-extend itself *ad infinitum* (or until it has lost its hegemonic status) appears flawed, at least in the American case. For instance, increased calls in the United States for 'burden sharing' amongst its NATO allies and Japan illustrate the likelihood of a smaller American role in NATO and, possibly, the U.S.-Japanese security regime.[29] Already proposals are being

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27 To support this assertion, Huntington cites a 1989 survey which found that seventy-three percent of Americans believed that "...the greatest threat to American security is the economic challenge posed by Japan." Huntington, Samuel P. 1991. *op. cit.*, p. 8. For similar poll results see Holsti, Ole R. & James N. Rosenau, 1990. "The Emerging U.S. Consensus on Foreign Policy." *Orbis* (Vol. 24, No. 4), pp. 579-595.

28 More than twenty years ago, President Nixon began this process by formulating the Guam or Nixon Doctrine, which increased U.S. allies' responsibilities for their own defense and reduced America's military posture from fighting a 'two and a half front war' to a 'one and a half front war.'

29 Some may argue that moves towards burden sharing illustrates America's decline since it appears unable or unwilling to continue financing the West's defense. However, as early as 1947, when the U.S. was the undisputed world power, George Kennan was already

made to reduce the number of United States' soldiers in western Europe to 100,000 and to allow a non-American general to hold the post of supreme allied commander.[30] Additionally, the Department of Defense plans to end or limit operations at 150 military sites in Europe, Asia and Australia "...in response to the reduced Soviet threat and budgetary constraints at home...."[31]

Although the U.S. intervention in the Gulf War demonstrates that America continues to have global, strategic interests which it will act to promote, the Bush administration has emphasized that it does not want to commit the U.S. to a significant, long-term military presence. American troops are being swiftly withdrawn from the region and being replaced by United Nations peacekeeping forces. Furthermore, having evicted Iraq from Kuwait, the U.S. is now supporting the creation of an autonomous and effective Arab defense organization to deter future aggression in the region. Secretary Baker has rejected the creation of a 'Middle East NATO,' which would formally commit the United States to a long-term role as guarantor of regional security. In short, the administration appears to be avoiding the morass of, as Kennedy refers to it, "strategical overextension."[32]

It is evident then that Nye's observation that the U.S. does not fit the theory of imperial overstretch is well founded. Certainly the United States has global interests and acts to promote them. However, the country is not following the historically determined path of earlier hegemons. Above all, defense spending continues to fall and there is no

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advocating the need to "...see to it that other elements of industrial power are developed on the Eurasian land mass as rapidly as possible in order to take off our shoulder some of the burden of 'bi-polarity.'" Quoted in Ikenberry, C. John, 1989. "Rethinking the Origins of American Hegemony." *Political Science Quarterly* (Vol. 104, No. 3), p. 386. Similarly, David Calleo and Dana Allin recently argued that, "It is not...necessary for the U.S. to share this fate [hegemonic decline]....In a more plural world, the U.S. can and should *devolve* the primary role in regional security systems to allies who are capable of performing it themselves." (emphasis in original) Calleo, David P. & Dana H. Allin, 1988. "Geostrategic Trends and the World Economy" (paper presented to the *Bicentennial Conference--Australia and the World: Prologue and Prospects*, SDSC, A.N.U., December), p. 8.

30 Helm, Sarah, 1991. "US proposes new nuclear missile for Europe." *The Canberra Times* (2 March), p. 10; *The Age*, 1991. "Cut US Nato troops by 66pc: study." (3 March), p. 8.

31 Horvitz, Paul F., 1990. "U.S. Military to End or Trip Operations At 150 Foreign Sites." *International Herald Tribune* (19 September 1991), p. 1. See also Richburg, Kieth B., 1990. "U.S. Is Reported Set to Phase Out Philippine Bases." *International Herald Tribune* (15-16 September), p. 1.

32 Kennedy, 1988. *op cit.*, p. 666.

likely military rival on the horizon that would cause this trend to reverse itself. Indeed, the receding Soviet threat raises the very real prospect of a retrenchment of American overseas commitments. Thus, imperial overstretch as presented by Kennedy and other declinists does not account for America's alleged decline.

Still, the declinists may have a point with respect to one aspect of U.S defense spending. Instead of looking at what the country has spent on defense in the past, compared to the present, a more relevant analysis may involve what the U.S. spends on defense compared to other industrialized countries, particularly if--as was implied above--economic competition accounts for the principal 'threat' to American interests. Although the U.S does not devote the ten percent figure mentioned by Kennedy to the military sector, it does devote quite a bit more than its European allies and Japan.[33] As a result, America's leading economic competitors have more funds available, in relative terms at least, for investment.[34] As will be discussed presently, both Europe and Japan have higher investment levels than the United States. Kenneth Oye maintains that half of the difference in the U.S.-Japanese investment differential is the result of higher U.S. defense spending (the balance being explained by Japan's lower consumption). With respect to the U.S.-NATO differential, the gap is less significant, but it is almost entirely attributed to America's higher military spending.[35]

Economic Decline

Those who ascribe to the notion of U.S. decline as well as those who repudiate it agree that, at least in relative terms, American preponderance in the global economy has fallen

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33 For the past twenty years, the NATO average defense spending (excluding the U.S.) has hovered around four to five percent, while the Japanese barely devote one percent of their GNP to defense.

34 This assumption is based on a closed economy model where military spending comes at the expense of either investment or consumption.

35 Oye, Kenneth, 1991. "The End of the Postwar Order and American Foreign Policy: An Institutional and Environmental Explanation." *Eagle in a New World: American Grand Strategy in the Post Cold War Era*, Oye, Lieber and Rothchild, eds. (Harper & Row: forthcoming). The fact that the U.S. spends more on the military than nearly all other industrialized countries somewhat undermines the anti-declinists' point that America is not an empire in the traditional sense. On its surface their observation is hardly debatable. However, since the U.S. spends relatively more on defense in order to protect its allies and global interests, one could make the case that the economic costs are similar to those that a 'traditional' empire would bear.

since the end of World War II. Beyond that starting point, however, important differences exist in their respective positions. As was done above, the arguments of each side will be presented one after the other and will be followed by a brief analysis of their merit.

Robert Gilpin believes that the United States' economic hegemony was brought to a formal end following West Germany's refusal to support the dollar in October 1979. As a result, the American Federal Reserve Bank was compelled to tighten the money supply which pushed the country into a recession. Gilpin points out that, "This was the first time in the postwar era that the United States made a major change in its domestic economic policy in response to foreign pressures."[36] Just eight years earlier the U.S. had abandoned the Bretton Woods system--ending the convertibility of the dollar and imposing a ten percent surcharge on all imports--for roughly the same reason, namely the refusal of its European allies and Germany in particular to support the dollar.[37] These are but two examples declinists point to as illustrations of America's considerable economic decline. More specifically, they point to the loss of preponderance in global production; the twin deficits (budget and trade) which have led to America's emergence as the world's pre-eminent debtor nation; and systemic shortcomings that exacerbate the country's industrial problems.

With respect to global output, Gilpin notes:

> In the early 1950s, the United States...accounted for approximately 40 percent of the gross world product; by 1980, the American share had dropped by half to approximately 22 percent....Whereas the United States in the early postwar period produced 30 percent of the world manufacturing exports, by 1986 its share had dropped to a mere 13 percent. American productivity growth, which had outpaced the rest of the world for decades, declined dramatically from a growth rate of 3 percent annually in the early postwar years to an incredible low of .8 percent in the 1970s....[38]

As the years have passed, America's share of global production and exports have fallen in significant relative terms while other industrialized countries' shares have risen. In fact, Kennedy observes that by 1980 U.S. GNP per capita had slipped behind West Germany

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36 Gilpin, 1987. *op. cit.*, p. 332.

37 For an in-depth discussion of the breakdown of the Bretton Woods system see Block, Fred L., 1977. *The Origins of International Economic Disorder: A Study of United States International Monetary Policy from World War II to the Present* (Berkeley: University of California Press).

38 Gilpin, 1987. *op. cit.*, p. 344. See also Kennedy, 1988. *op. cit.*, pp. 557-60.

and France; Japan was not far behind.[39] According to Penelope Hartland-Thunberg, America's international power position has been "emasculated" as other nations have become "...as wealthy, productive, and innovative as the United States is, and--ominously--their productivity is growing more rapidly than that of the U.S."[40]

Turning to the next indicator of American economic decline, declinists point to the soaring budget and trade deficits to illustrate that the United States is "...mortgaging its future to a degree unknown in world history."[41] The historical analogies that most closely resemble America in the 1980's are the "...lumbering, deficit-hobbled, low-growth economies..." of late sixteenth century Spain, France a century later and Britain after World War I.[42] While it is not the intent of this subthesis to analyze in detail the twin deficits, it should be pointed out that there is a clear causal relationship between the two, with "...the budget deficit being the primary cause of the current account deficit."[43] Ronald Reagan's fiscal policies caused the budget deficit to soar to more than $220 billion in 1986; the country's trade deficit similarly reached historic heights. As a result,

> By the end of 1985, the United States had become the world's largest debtor and had borrowed abroad over $100 billion in that year alone, a sum larger than the total Brazilian debt....The world's richest country in less than five years had reversed a century-long trend and become the world's most indebted nation....[44]

As Michael Moffit concludes:

> The decline of U.S. power, which began in the late 1960s, has been accelerated by the twin deficits, the resulting growth of U.S. foreign debt, and, in turn, the increasing vulnerability of our financial markets.[45]

In order to finance its mammoth deficits and spiralling national debt, the United States has come to rely increasingly upon Japan's willingness to purchase U.S. Treasury bonds and to invest in American assets. During this period, Japan has "...supplanted the

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39 *Ibid.*, Table 44, p. 563.

40 Hartland-Thunberg, 1988. *op. cit.*, p. 53.

41 Gilpin, 1987. *op. cit.*, p. 347.

42 Peterson, Peter G., 1987. "The Morning After." *The Atlantic* (October), p. 49.

43 Corden, W. Max, 1990. "American Decline and the End of Hegemony." *SAIS Review* (Vol 10, No. 2, Summer-Fall), p. 22.

44 Gilpin, 1987. *op. cit.*, p. 330. Gilpin later raises the prospect of the U.S. resembling lesser developed countries which "...have to go ever deeper into debt to service compounding interest payments." *Ibid.*, p. 347.

45 Moffit, Michael, 1987. "Shocks, Deadlocks, and Scorched Earth: Reaganomics and the Decline of U.S. Hegemony." *World Policy Journal* (Vol. 4, No. 4), p. 575.

United States as the dominant creditor nation and financial power."[46] Indeed, some commentators on America's growing reliance on Japanese 'subsidization' point out that the U.S. is beginning to resemble a Japanese colony.[47] In view of such developments, the United States risks becoming a "...prisoner of foreign capital....American economic policy, and perhaps its foreign policy as well, may...be increasingly constrained by the need to take creditors' views into constant account."[48] To the declinists, the twin deficits and associated national debt are indicting proof of just how low America's economic influence and status have sunk. As Moffit puts it, "Debt and hegemony do not mix--at least not for long."[49]

Lastly, it is argued that the United States faces a serious problem in terms of industrial decline:

> ...not only in older manufactures such as textiles, iron and steel, shipbuilding, and basic chemicals, but also--although it is far less easy to judge the final outcome of this level of industrial-technological combat--in...robotics, aerospace, automobiles, machine tools, and computers.[50]

If the U.S. does not reverse this trend, particularly in the high technology realm, the consequences will be "disastrous."[51] America's alleged industrial decline has been exacerbated in part by the budget deficit, the high dollar of the early 1980's, and low levels of savings and investment in the U.S.[52] For instance, the savings rate in the U.S. since the 1970's has ranged between three and five percent of GNP, while in Japan the figure has averaged eighteen percent.[53] Similarly, in 1987 American investment in physical

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46 Gilpin, 1987. *op. cit.*, p. 328.

47 See, *e.g.*, *ibid.*, p. 330 and Pfaff, William, 1990-91. "Redefining World Power." *Foreign Affairs* (Vol. 70, No. 1), p. 37. Similarly, Jacques Atalli, president of the European Bank for Reconstruction and Development claims that "...America has become Japan's granary, like Poland was for Flanders in the seventeenth century." Quoted in Kennedy, 1990a. *op. cit.*, p. 38.

48 Friedberg, 1989. *op. cit.*, pp. 412-13. In the words of Moffit, "The United States, having become a net debtor nation, has thus relinquished a good deal of domestic economic policy autonomy." Moffit, 1987. *op. cit.*, p. 574.

49 *Ibid.*, p. 575. In a similar vein, Gilpin remarks, "Only the most ardent enthusiasts of supply-side economics believed that this debt-financed hegemony and economic prosperity could last indefinitely." Gilpin, 1987. *op. cit.*, p. 348.

50 Kennedy, 1988. *op. cit.*, p. 679.

51 *Ibid.*

52 See Gilpin, 1987. *op. cit.*, pp. 346-50.

53 Rosecrance, Richard, 1990. *America's Economic Resurgence: A Bold New Strategy* (New York: Harper & Row), p. 86.

capital amounted to sixteen percent of GNP; the OECD average was twenty-one percent with Japan on top at thirty percent--nearly twice the U.S. investment level.[54] These comparatively low levels of savings and investment have hampered adequate capital accumulation, particularly given the high capital-labour ratio in the U.S., with the result being, "...lower productivity growth, accelerated deindustrialization of the American economy, and a significantly lower standard of living in the future."[55]

Responding to these diverse allegations, Huntington claims, "With a rather broad brush, [declinists] tend to paint an impressionistic picture of economic decline."[56] Although anti-declinists concede that there has been a relative decline in U.S. domination of global production, they point out that U.S. economic preponderance in the immediate post-war period was "unnatural"[57] and "an anomaly."[58] Accordingly, Gilpin's comparisons of America's share of global production in the early 1950s to recent years are inappropriate. As Nye puts it:

> In that sense American economic preponderance in the 1950's was anomalous, like being the boy on the block who dominates while others have the flu. American preponderance was bound to erode as other nations regained their health.[59]

Consequently, the decade immediately following the war, when the U.S. share of global production and exports fell most sharply, represents a "...substantial return to normality."[60] It is more appropriate, Nye claims, to select a pre-war year as the basis of comparison; for instance, America's economic position in the 1980's reflects well with its 1938 position.[61]

Furthermore, Jeffrey Garten contends that the economic realignment that occurred following the war "...resulted more from the successes of [American] policies than from

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54 Corden, 1990. *op. cit.*, pp. 16-17.

55 Gilpin, 1987. *op. cit.*, p. 346.

56 Huntington, 1988-89. *op. cit.*, p. 77.

57 Garten, 1987-88. *op. cit.*, p. 162.

58 Russett, Bruce, 1985. "The Mysterious Case of Vanishing Hegemony; or, Is Mark Twain Really Dead?" *International Organization* (Vol. 39, No. 2), p. 210.

59 Nye, 1990a. *op. cit.*, p. 87.

60 Russett, 1985. *op. cit.*, p. 210.

61 Nye, 1990a. *op. cit.*, p. 87. This point is also made by Bruce Russett. See Russett, 1985. *op. cit.*, pp. 210-11.

their failures."[62] Successive U.S. administrations supported stronger European and Japanese economies; growth and development throughout the Third World; and the establishment of GATT, the IMF and the World Bank. By promoting expansion in other countries and the spread of capitalist ideology, with the U.S. dollar as the leading international currency, the United States was promoting its own economic and geopolitical interests as well.[63]

Moreover, it is argued that America's share of global production has remained essentially constant during the past twenty years. Citing figures provided by the U.S. Council on Competitiveness and projections by the Department of Defense, Huntington concludes:

> For about a quarter-century U.S. shares in global economic activity have fluctuated within a relatively narrow range....Declinist arguments that the United States has suffered precipitous decline in recent years and that the locus of economic production is shifting dramatically to Japan are simply not supported by the facts.[64]

Huntington further contends that American GNP in the year 2010 will still be twice as large as Japan's.[65] Owen Harries likewise points out:

> While the U.S. share of the Gross World Product has declined significantly since the artificially high level of the postwar years, when every other major power was economically devastated, it continues to be larger than that of the Soviet Union and Japan combined, and only just smaller than the total share of all *twelve* EEC countries....Some lame duck.[66] (emphasis in original)

Harries also maintains that, based on growth rates available in 1988, the American share of the combined U.S.-Western Europe-Japan GDP will actually increase over time.[67] Accordingly, allegations that the U.S. has lost or will shortly lose its dominance in global production are unfounded.

With respect to the twin-deficits and the United States' enormous debt, anti-declinists contend that Ronald Reagan's economic policies are largely responsible for the ballooning

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62 Garten, 1987-88. *op. cit.*, p. 162.

63 See Stein, Arthur, 1984. "The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order." *International Organization* (Vol. 38, No. 2).

64 Huntington, 1988-89. *op cit.*, pp. 82-83.

65 Huntington, 1988-89. *op. cit.*, p. 84.

66 Harries, 1988. *op. cit.*, p. 35.

67 *Ibid.*

deficits.[68] A reversal of policies, then, will turn the situation around: "The deficits stem from the weaknesses, not of the American economy, but of Reagan economics. Produced quickly by one set of policies, they can be reversed almost as quickly by another set of policies."[69] In a similar vein, Nye asserts, "The problem stems not from inevitable economic decline but from 1980s political choices that increased government spending while providing a tax cut."[70]

On the subject of low savings and investment, anti-declinists seem to hold a similar position; the U.S. should save and invest more to stimulate productivity, but there is no reason to believe that higher levels cannot be attained if the requisite effort is made and appropriate policies implemented. According to Huntington:

> The significance of these differences in savings and investment can be debated, and mitigating factors may explain and compensate for some low U.S. rates. In addition, the poor U.S. performance seems not to have noticeably affected U.S. economic growth as yet. Nonetheless, clearly the declinists are right in highlighting savings and investment as long-term systemic weaknesses that require correction if economic growth is to be maintained.[71]

Nye also concedes that America's personal savings rate has dropped. However, he claims that such a statistic does not reveal the true picture about the country's level of capital formulation. If the rising value of stocks and spending on education are added to the savings rate, "U.S. capital formation comes to 30% of GNP."[72] This figure reflects well with other industrialized countries.

One of the most challenging obstacles to overcome in critically analyzing the above arguments involves "...the difficulties of unravelling statistical indicators of relative economic power over time."[73] Susan Strange has pointed out that historians can cast their net far and wide to find facts and data which support their arguments.[74] The same can certainly be said for the political economists and political scientists involved in the debate

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68 See, *e.g.*, Friedberg, 1989. *op. cit.*, pp. 408-09. It is worth noting that anti-declinists are not alone in blaming Reagan's macroeconomic policies for much of America's economic woes. See, *e.g.*, Gilpin, 1987. *op. cit.*, pp. 328-36, 345-52.

69 Huntington, 1988-89. *op. cit.*, p. 79.

70 Nye, 1990d. *op. cit.*

71 Huntington, 1988-89. *op. cit.*, pp. 85-86.

72 Nye, 1990e. *op. cit.*, p. 217.

73 Kennedy, 1990a. *op. cit.*, p. 36.

74 Strange, 1988a. *op. cit.*, p. 8.

over America's economic decline.[75] This problem is further compounded by various statistical factors that can skew figures. Foremost among such factors are exchange rates and the range of years selected for comparisons of economic performance between countries.[76] As a result, it becomes a somewhat arduous task to assess the arguments put forth on the subject. Nevertheless, it seems fairly clear that America's economic decline is a more serious problem that the anti-declinists like to admit. Indeed, the fact that they tend to devote relatively little attention to countering arguments over economic decline, focusing instead on issues such as what other country could serve as a hegemon, lend credence to the idea that U.S. economic decline is a severe problem.

The anti-declinists are correct in pointing out that comparisons of America's productive output to the immediate post-war level is of dubious value. However, one should also be sceptical of their comparisons to U.S. production in 1938. After all, the United States' recession/depression became more severe that year as taxes were raised to balance the federal budget; European countries escaped this downturn. Further, while it is true that America's share of global GDP has remained more or less stable since the 1970's, John Zysman correctly observes that:

> ...the GDP figure is very deceptive. The continuing US position rests not on excellent performance, but on an economic slowdown in Europe in the 1980s. By contrast, growth rates in Asia have remained higher than those in the United States, so the US position relative to Asia and Japan has continued to decline....The United States can currently find little comfort in its position in the global economy. The fact that it has been able to 'hold its own' with a sclerotic Europe is hardly reassuring.[77]

Moreover, in 1970 America's GDP was 3.7 times larger than that of its two most productive allies combined (Britain and France); by 1987 U.S. GDP was only 1.3 times larger than the combined output of Germany and Japan--which had supplanted the U.K.

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75 For a brief discussion of how the selection of certain indicators support a particular argument, see Kennedy, 1990a. *op. cit.*, p. 37. "This is, after all, a classic example of a debate in which one expert can assemble (seemingly impressive) evidence for 'decline,' whereas another expert can produce (apparently equally impressive) evidence for 'revival.'" *Ibid.*

76 As an example, Kennedy's claim that by 1980 (West) Germany and France had passed the U.S. in per capita GNP was based on data provided by the World Bank. Yet, the U.S. dollar was very weak that year. In 1985, when the dollar was significantly stronger, the World Bank's *World Development Report* showed American per capita GNP to be significantly higher than all other industrialized countries--including Germany and France.

77 Zysman, John, 1991. "US power, trade and technology." *International Affairs* (Vol. 67, No. 1), p. 88.

and France as the two largest economies after the U.S. Since 1987 Japan and Germany have continued to grow at a faster rate than America, and Germany has added the productive resources of former East Germany to its economy. As a result:

> America's economic position relative to its two strongest allies has...gone from almost 4 to 1 in 1970 to virtual parity or even less in 1990....[I]t is clear that the relative economic position of the United States has changed sharply as a result of political and economic processes. The deterioration in the American position is so profound that political consequences are sure to follow.[78]

Evidently, the mere fact that the U.S. has more recently 'held its own' in terms of global productivity does not mean that America will remain the most productive country in the world. Given the uneven growth rates between Japan and the United States, one must be sceptical of Huntington's and other anti-declinists' claims that American GNP still will be twice as large as Japans in twenty years.[79] Chalmers Johnson has recently claimed that Japan's economy "...is today about three-fifths the size of the American economy, and by the end of the decade it will be its equal."[80] Kenneth Courtis, chief economist of Deutsche Bank's Japanese branch, puts it in even starker terms:

> As a measure of momentum, Japan's economy is today one 'Canada' larger than it was just thirty months ago. At the average rate of growth of the past four years, the economy, in real terms is doubling in size every thirteen and a half years.[81]

Such statistics clearly torpedo Huntington's rather vague assertion that, "There is little reason why the Japanese economy as a whole should grow much faster than the U.S. economy."[82] Furthermore, there is a very real prospect of accelerated European growth after 1992 when all internal trade barriers amongst the European Community members (and possible EFTA members later in the decade) are removed. Hence, it is quite possible that America's share of global GNP will further fall unless it matches the growth rates of Japan, the European Community and the newly industrialized countries of Asia.[83]

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78 *Ibid.*, p. 89.

79 Similar to Huntington, Herbert Stein argues that, based on growth rates of the past six years, Japan's GNP will not surpass America's until the year 2179. Stein, Herbert, 1990. "Who's Number One? Who Cares?" *Wall Street Journal* (1 March).

80 Johnson, Chalmers, 1991. "Defining the Pacific Basin." (Text of speech delivered at the Economic Strategy Institute, 28 February), p. 12.

81 Quoted in *ibid.*

82 Huntington, 1988-89. *op. cit.*, p. 83.

83 Fred Bergsten points out that growth in Europe and Asia should average four percent during the 1990's while America will experience growth rates of only two to two and a half percent during the same period. Bergsten, 1990. *op. cit.*, p. 97.

Garten and others anti-declinists are correct in pointing out that the U.S. deliberately promoted economic expansion in the other industrialized countries. However, just because the United States assisted in this process it does not follow that America will be able to control it or insure the country's continued international economic preponderance. In a sense, then, the U.S. has succeeded beyond its wildest dreams in resurrecting the devastated economies of Europe and Japan. Those dreams now risk turning into a nightmare as the prospect of a further fall in America's share of global production appears likely. As Robert Keohane has observed:

> In the short to intermediate term, this strategy was a success: It assisted in the economic and political recovery of Europe and Japan, and maintained the milieu goals that the American government sought....In the longer run the hegemonic strategy was self-liquidating....[84]

Turning from the question of global production to the twin deficits and America's debt, it is again evident that the anti-declinists fail to refute the case put by the declinists. In fact, when it comes to the twin deficits, the revivalists' arguments seem naively simplistic. Nye, Huntington and Friedberg are all correct when they point out that the budget deficit is largely the product of Reagan's macroeconomic policies and that the trade deficit was exacerbated by the overly strong dollar in the early 1980s. Yet, turning the deficits around is not going to be a simple task. To point out the awesome nature of the task, one need only consider that the budget deficit for 1991 may be as high as *$300 billion*.[85] Huntington claims that, "Produced quickly by one set of policies, [the deficits] can be reversed almost as quickly by another set of policies."[86] Yet, how quickly can a country be expected to reverse a $300 billion budget deficit? Reversing Reagan's policies would likely entail the biggest proportional reduction in defense spending since the end of World War II as well as the largest peacetime tax increase in decades. Those who believe that such drastic budgetary changes will be made in the immediate future suffer from a severe case of wishful thinking. More realistically, moderate cuts in defense spending and some minor tax hikes can be expected. Thus, it appears that the budget deficit is here to

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84 Keohane, Robert O., 1982a. "Hegemonic Leadership and U.S. Foreign Economic Policy in the 'Long Decade' of the 1950s." *America in a Changing World Political Economy*. William P. Avery and David R. Rapkin, eds. (New York: Longman), pp. 69-70.

85 Kennedy, 1990b. *op. cit.*, p. 10. This figure would be substantially higher if the Social Security Fund surplus was taken 'off-budget.'

86 Huntington, 1988-89. *op. cit.*, p. 79.

stay--at least for a while. In fact, there has been talk about scrapping or amending the Gramm-Rudman deficit reduction plan in light of the expenses associated with the Savings and Loan bail-out and Operation Desert Shield/Storm. This does not bode well for America's economic vitality since "...the deficit has been the greatest single force underlying the most severe failures of our economic performance during the 1980s, especially those with the most troubling implications for the future."[87]

As a result of the massive budget and trade deficits, America's national debt has burgeoned. During Reagan's two terms, it jumped from $914 billion to $2.6 trillion;[88] since Reagan's departure the country's debt has continued to climb. For the first time this century the United States became a net debtor nation in 1985.[89] Yet, the anti-declinists say little about the impact of this debt on America's economic performance. In and of itself, foreign debt is not necessarily a harbinger of future economic trouble. After all, America's net foreign debt stood at ten percent of its GNP for nearly half of the last century.[90] However, some critical distinctions can be made between then and now--distinctions which have ominous implications for the country's economic future. Above all, in the 1800's the U.S. invested much of its borrowed capital in factories, railways and other productive resources. However:

> The experience on the past decade could not be more different. The money the United States borrowed from abroad was not used for productive investment....Rather, it went into leveraged buy-outs, real estate speculation, unnecessary and exotic military systems, luxury consumer imports, and runaway plants--none of which added to the nation's economic strength. Thus the United States accumulated major financial liabilities without adding real assets to the nation's productive capacity that would enable it to service and pay off these liabilities in the future. The United States, in short, has been operating like a huge and irresponsible savings and loan.[91]

If recent patterns persist--and given the current record budget deficit and considerable trade deficit, the pattern could easily persist--America's net foreign debt will approach thirty percent of GNP by the end of the decade; this would represent "...an

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87 Friedman, Benjamin M., 1988. *Day of Reckoning: The Consequences of American Economic Policy Under Reagan and After* (New York: Random House), p. 25.

88 *Ibid.*, p. 19.

89 Epstein, Gerald, 1990-91. "Mortgaging America." *World Policy Journal* (Vol. 8, No. 1), p. 28.

90 *Ibid.*, p. 44.

91 *Ibid.*, p. 46.

unprecedented degree of indebtedness."[92] Professor Iwao Nakatani of Osaka University recently described the U.S. as a "'black hole' that sucks in capital and goods from all over the world....What is more, these imports are financed with money borrowed from other countries."[93] If this continues, it is difficult to imagine how America, even with its huge economy, would manage annual debt servicing payments of hundreds of billions of dollars. As Hartland-Thunberg observes, "Such a position is not tenable for any country, even the United States."[94] Clearly, the national debt has serious implications for the country's long-term economic strength and influence. Left unchecked, the massive debt "...will lead to accelerating economic decline...and a loss of economic control."[95] Gilpin's point that, "[t]he day of reckoning will eventually arrive if and when America's creditors demand repayment"[96] is well taken.

As was the case with the deficits and debt, anti-declinists offer little evidence to show that American industry is experiencing, or will shortly experience, a revival. Instead, they tend to focus on the previously discussed argument that America's share of global GDP has remained more or less stable in the past twenty years. Yet as Zysman concludes:

> America's industrial decline relative to its allies is substantial and significant. It is not simply an extension of postwar reconstruction, but a basic loss of industrial position. America's commercial failure fundamentally alters its real position in the global economy.[97]

Even Friedberg, who supports many of the anti-declinists' arguments, recognizes that America's eroding manufacturing base represents a threat to America's long-term economic and strategic interests.[98] This is particularly true in high technology sectors, such as semiconductors, where 'enabling technologies' will underpin advances in nearly

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92 *Ibid.*, p. 44.

93 Quoted in Johnson, Chalmers, 1991c. "The End of American Hegemony and the Future of US-Japan Relations." *US Foreign Policy in the 1990s*. Greg Schmergel, ed. (London: Macmillan), p. 246.

94 Hartland-Thunberg, 1988. *op. cit.*, p. 51.

95 Epstein, 1990-91. *op. cit.*, p. 44.

96 Gilpin, 1987. *op. cit.*, p. 348.

97 Zysman, 1991. *op. cit.*, p. 82.

98 See Friedberg, 1989. *op. cit.* For an in-depth discussion of the importance of the manufacturing sector for the United States, see Cohen, Stephen S. and John Zysman, 1987. *Manufacturing Matters: the Myth of the Post Industrial Economy.* (New York: Basic Books); Ehrlich, E.M. and R.C. Sheppach, 1984. *New Directions in Economic Policy: An Agenda for the 1980's.* (New York: Praeger).

every field for decades to come.[99] For instance, Zysman warns that further American reliance on Japanese or Asian high-tech components will undermine "...the US capacity to maintain computer product development."[100] While there are a few signs that the manufacturing base may be turning itself around,[101] for the time being the fact remains that in textiles, footwear and clothing, steel, consumer electronics, automobiles, machine tools, semiconductors and computers "...the American position has dwindled. In each of these sectors not only did the American share of the global market drop, but so did American producers' share of their own domestic market."[102]

Anti-declinists such as Nye and Huntington also seem to gloss over the problem of America's low savings and investment levels.[103] Nye's attempt to include the rising value of stocks and education spending as part of America's national savings rate is hardly a convincing riposte. Without a doubt, the relatively lower levels of U.S. savings and investment continue to impinge upon the country's economic expansion and further exacerbate U.S. industrial woes. America's savings ratio recently dipped to 3.7 percent of GNP--the lowest level in three years.[104] A new report by the U.S. Federal Reserve maintains that the low savings rate cost the economy five percent of GNP in the 1980s. Moreover, the report contends that if savings do not climb back to the 1960's average of 7.5 percent, thereby creating more funds for investment, the country's economy could lose ten percent of GNP growth in this decade.[105] America's low investment, as Gerald Epstein points out, "...is one of the principal causes of America's trade and competitiveness

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99 See *Business Week*, 1990. "The Future of Silicon Valley." (5 November), pp. 36-42.

100 Zysman, 1991. *op. cit.*, p. 87.

101 See, *e.g.*, Richards, Evelyn, 1991. "U.S. Seeking to Spur 'Technology Initiative.'" *International Herald Tribune* (22 April), p. 7 and Nasar, Sylvia, 1991. "Can 'Made in U.S.A.' Mean Low-Price?" *International Herald Tribune* (22 April), pp. 1, 9.

102 Zysman, 1991. *op. cit.*, p. 86. Epstein notes that between 1980 and 1988 U.S. exports of automobiles, computers, microelectronics and machine tools fell by forty-six percent, thirty-six percent, twenty-six percent and seventeen percent respectively. Further, during this period, the American trade balance in the high technology sector went from a surplus to a deficit. Epstein, 1990-91. *op. cit.*, p. 33.

103 Jeffrey Garten is more forthcoming in his assessment of the situation: "One thing, however, is clear: the problems that America now faces--particularly our rapidly escalating debt, our trade deficits, and our dwindling investments in physical and human infrastructure--require major adjustments." Garten, 1987-88. *op. cit.*, p. 563.

104 *Australian Financial Review*, 1991. "Bush on the mend but economy not mending." (6 May), p. 8. This figure contradicts Huntington's recent claim that the American savings rate is showing signs of improvement. See Huntington, 1991. *op. cit.*, p. 11.

105 *Ibid.*

problem."[106] It is significant that Japan, benefiting from higher savings levels and lower interest rates, passed the United States in absolute level of industrial investment in 1989--yet another sign of America's economic decline.[107]

The degree of this decline can be demonstrated by briefly comparing, first, recent American aid to the fledgling Eastern Europe democracies with U.S. aid to Europe following World War II and, second, U.S. financing of the Gulf War with its financing of the Vietnam War twenty years earlier. In late 1947, President Truman requested that Congress provide $17 billion dollars in economic assistance to Europe--the Marshall Plan--in order to stabilize the politico-military situation and promote economic expansion.[108] Some forty years later, as the 'Iron Curtain' was torn asunder by the peoples of Eastern Europe, President Bush asked Congress to appropriate funds to assist these fledgling democracies. This time the amount requested was a mere $150 million. Although the Bush administration claimed that it did not want to provide substantial direct aid to countries with command economies--fearing the money would be sucked down a black hole of inefficiency--the main reason behind the relatively paltry sum was that the administration felt the country simply could not afford to provide huge sums of aid.[109] After all, in his inaugural address President Bush had announced that the United States had "the will, but not the wallet."[110] As a result, the administration encouraged Western Europe and Japan to increase their respective levels of direct aid to and foreign investment in Eastern Europe while the U.S. largely watched from the sidelines. As John Chancellor observed, "When the countries of Eastern Europe broke free of communism, Moscow stood aside, but Washington had run out of money. The Cold War ended not with a bang but with deficits."[111]

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106 Epstein, 1990-91. *op. cit.*

107 Zysman, 1991. *op. cit.*, p. 86.

108 Ambrose, Stephen E., 1985. *Rise to Globalism: American Foreign Policy Since 1938* (fourth edition; New York: Penguin Books), p. 92.

109 Maynes, Charles William, 1990c. "The New Decade." *Foreign Policy* (No. 80, Fall), pp. 5-6. Maynes also notes that the U.S. has become "...the world's most embarrassing deadbeat, owing various international bodies $838 million as of July 1, 1990." *Ibid.*, p. 6.

110 Quoted in Nye, 1990d. *op. cit.*

111 Chancellor, John, 1990. *Peril and Promise: A Commentary on America* (New York: Harper & Row), p. 125.

Turning to Operations Desert Shield and Desert Storm, it is debatable whether the United States could have afforded the massive deployment and engagement of American troops, equipment and armaments without the subsidization of numerous allies who 'could afford it,' including Kuwait, the United Arab Emirate, Germany, Japan, South Korea, and Saudi Arabia which paid for *all* of America's in-country (Saudi) expenses. Certainly the U.S. could not have financed the operations without the budget deficit jumping even further.[112] To many people, the site of Secretary of State Baker and Treasury Secretary Brady globe-trotting to raise funds illustrated the inability of the United States to finance its superpower status. In the words of one observer, America seemed "bound to plead."[113] William Pfaff points out that the massive U.S. deployment

> ...has been accompanied by the demand that other countries finance what the United States does but is unprepared to pay for. This signals dependence, not authority [and sounds] like an offer for soldiers for hire.[114]

In sharp contrast to this recent situation, the U.S. did not request or insist that other countries foot the bill for America's extremely costly involvement in Vietnam.[115] Not only did the country finance a very lengthy war in Southeast Asia, it simultaneously increased social spending in the 'war against poverty.' As Jeffrey Garten recently put it:

> Even the implications of the Gulf War haven't sunk in to most of us. After all, in World War Two, in Korea, in Vietnam we not only paid for own troops but we footed the bill for our allies. It's a long way from this to the current reality of 'tin cup diplomacy,' and the implications are not easy to digest."[116]

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112 Admittedly, the U.S. could have financed the war without the deficit soaring if Americans were willing to pay more taxes. However, as will be discussed in the concluding chapter of this subthesis, U.S. political leaders and the majority of voters appear unwilling and/or unable to raise federal taxes by a significant amount.

113 Ball, R.S., 1990. "The Exercise of American Hegemonic Power: Bound to Plead?" (Essay submitted for Politics of International Economic Relations, Department of International Relations, A.N.U., October).

114 Pfaff, William, 1990. "Pay the Leader and Follow Quietly?" *International Herald Tribune* (19 September).

115 To a certain degree, America's allies *indirectly* subsidized the country's intervention in Vietnam by buying and holding U.S. dollars. It is worth noting, however, that the U.S. increasingly relies on wealthy Arab nations to support the dollar (as well as Japan and Germany). As Walter Russell Mead notes, "Without the support of these oil-rich countries, the dollar's position would be extremely weak and the United States would find itself in an unpleasant new era in economics." Mead, Walter Russell, 1991. "The Gulf, Through German Eyes." *Harper's* (January, Vol. 282, No. 1688), p. 25.

116 Garten, Jeffrey, 1991. "What Kind of New World Order? America, Japan and Germany in the 1990s." Mimeo; The Williamsburg Conference (Sydney Australia, 25 February), p. 14.

In his introduction to *World Leadership and Hegemony*, David Rapkin makes an important point: any analysis of American decline suffers from "...the impaired vision that results from being too close to its unfolding (i.e., without benefit of hindsight)."[117] This is particularly relevant with respect to indicators that support or counter allegations of economic decline. Given the limited timeframe under analysis, it is difficult--if not impossible--to consider such data in their broader context. For instance, what may look like the demise of America's industrial base one year, may appear to be a less critical fluctuation associated with a brief recession and over-valued dollar a few years later. As a result, it is imperative that any assessment of American decline weighs the various contingencies which impact certain indicators and looks beyond broad generalisations to ascertain what data support the claims of the declinists and anti-declinists.

Keeping in mind the above caveat, the overall arguments of the declinists are more convincing than those of the anti-declinists/revivalists. Although Kennedy's frequently cited concept of imperial overstretch does not explain America's decline, the fact remains that the U.S. does spend more on defense, in relative terms, than nearly all other industrialized nations. Consequently, America's economic competitors have a higher proportion of funds available to invest in long-term, national economic productivity. Further, while it is undeniable that the U.S. share of global production should have fallen from its 'unnatural' post-war high, it seems that this readjustment has not yet stopped; the U.S. economy continues to grow at a slower rate than many other industrialized nations--especially Japan and other NIC's. There is a very real prospect, as discussed earlier, that the U.S. may fall behind Japan in terms of GNP early in the next decade. Moreover, the country's enormous twin deficits and the related national debt are not disappearing--though Nye, Huntington and Garten are correct in noting that they are largely the product of Reagan's economic policies and could be reversed by a different set of policies. Unfortunately, such policies do not appear forthcoming.

Without a doubt, the U.S. remains the single most powerful nation on earth. It still has the largest economy, most potent military force and a high level of ideological attraction. Yet, as Stephen Rosenfeld has observed, other nations look at America and:

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117 Rapkin, 1990a. *op. cit.*, p. 9.

> ...see a country with the international apparatus of a superpower--the fleet, the diplomatic reach, the instinct for command, the taste for engagement and risk and even war....At the same time they see a country breezily negligent of a nation's duty to prepare for tomorrow--in financial stability, economic competitiveness, educational and technologically striving. The look down the road and wonder.[118]

It is this breezy negligence of national duty that accounts for much of the United States' recent economic decline. As chapter four will discuss, this dereliction of duty appears to be deeply ingrained in the American public and the country's body politic. Thus, although the U.S. has emerged from the Cold War as the apparent victor and has led a military victory over Iraq, it is doubtful that these international achievements will arrest or reverse American decline.

118 Rosenfeld, Stephen S., 1990. "In America, A Crisis of Leadership." *International Herald Tribune* (15 October).

CHAPTER THREE

Competing Views of American Hegemony

The debate over American decline is theoretically subsidiary to the broader debate over what constitutes hegemony. It is now time, then, to turn to the larger question of hegemonic leadership. Given the decline of the United States which has been discussed in the previous chapter, should the country still be viewed as a hegemon capable of 'leading' the international system? The answer depends largely upon the notion of hegemony to which one subscribes. Accordingly, this chapter will critically assess three leading conceptions of hegemonic power: the traditional, realist paradigm of 'power over' (relational power); Susan Strange's notion of structural power; and, finally, Gramscian views of cultural/ideological (or legitimized) power. As the subsequent analysis will reveal, the first of these suggests the U.S. is a hegemon of the past. The second presents a more favourable picture of U.S. hegemony, but one which nevertheless shows America to be an enfeebled hegemon. The final approach indicates that American hegemony endures in spite of the relative decline of U.S. control over material resources.

The Traditional, Realist Approach[1]

To begin with, it should be pointed out that this approach is closely associated with 'hegemonic stability theory,' which--in simple terms--argues that economic disorder and political instability will characterize the international system in the absence of a hegemon.[2] This viewpoint reflects a Hobbesian notion of the world in which states

1 In this section, the term realist is used interchangedly with neo-realist. As Stephen Gill points out, "Although there are many variants of Realism, and Neo-Realism, there are basic agreements within this discourse concerning certain concepts, notably the concepts of power and hegemony, and also there is a shared cyclical view of history." Gill, Stephen, 1986b. "American Hegemony: Its Limits and Prospects in the Reagan Era." *Millennium* (Vol. 15, No. 3), p. 313.

2 For a sampling of the literature on hegemonic stability theory see Gilpin, 1987. *op. cit.*, pp. 72-80, 85-92; Keohane, Robert, 1984. *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press), pp. 195-216; Snidal, Duncan, 1985. "The limits of hegemonic stability theory." *International Organization* (Vol. 39, No. 4), pp. 579-614; Gowa, Joanne, 1989. "Rational Hegemons, Excludable Goods, and Small Groups: An Epitath for Hegemonic Stability Theory?" *World Politics* (Vol. 41, No. 3), pp. 307-24; Stein, Arthur, 1984. "The hegemon's dilemma: Great Britain, the United States, and the international economic order." *International Organization* (Vol. 38, No. 2), pp. 355-

inevitably struggle against each other in order to garner more power and ensure their own survival. Whether one subscribes to the collective goods version or the less familiar security version of hegemonic stability theory,[3] the theory itself reflects the need for one dominant power (the hegemon) to perform certain leadership functions in order to insure that Hobbesian anarchy does not characterize the international order--particularly the economic order.[4]

In order to fulfil these functions, the hegemon must be the most powerful state in the system. As John Ikenberry has observed, those who believe that the era of U.S. hegemony has passed "...tend to conceive of power in traditional resource terms."[5] Robert Keohane's definition of hegemony as "...preponderance of material resources"[6] clearly reflects this point of view. According to Keohane, four sets of material resources are equally important: "...control over raw materials, control over sources of capital, control over markets, and competitive advantage in the production of highly valued goods."[7] With its preponderance of material resources, a hegemon is able to "...make and enforce the rules for the world political economy."[8] Hegemony, then, is perceived in Weberian terms of 'power over'--that is to say, the power of one country to enforce its will over others. As Ikenberry puts its, "Power is exercised by the hegemon primarily through the use of coercion, inducements, or sanctions. In effect, power is manifest as arm twisting."[9]

As was discussed in chapter two, America's preponderance in nearly every economic resource has declined since the end of World War II. Furthermore, as the Soviets gained nuclear strategic parity, U.S. military predominance similarly came to an end. Consequently, for the those who view hegemonic power in traditional resource terms, "At

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86; Grunberg, Isabelle, 1990. "Exploring the 'myth' of hegemonic stability." *International Organization* (Vol. 44, No. 4), pp. 431-77.

3 See Webb, Michael C. & Stephen D. Krasner, 1989. "Hegemonic stability theory: an empirical assessment.." *Review of International Studies* (Vol. 15, No. 2), pp. 184-86, 196-97.

4 Some neo-realists, most notably Robert Keohane, believe that international regimes can facilitate cooperation in the absence of a hegemon. See, *e.g.*, Keohane, 1984. *op. cit.*

5 Ikenberry, G. John, 1989. "Rethinking the Origins of American Hegemony." *International Organization* (Vol. 104, No. 3), p. 378.

6 Keohane, 1984. *op. cit.* p. 32.

7 *Ibid.*

8 *Ibid.*, p. 37.

9 Ikenberry, 1989. *op. cit.*, p. 378.

some point between 1960 and the mid-1970s, the United States lost the margin of power required to successfully perform the hegemonic functions."[10] To illustrate this claim, Stephen Krasner points to America's "..loss of power resources [in the following] specific issue areas:"[11]

Table 3.1
"Indicators of U.S. Power Capabilities": Ratio of U.S. to World Total

	1950	1960	1970	1976
National income[a]	--	.45	.39	.31
Crude petroleum production	.53	.33	.21	.14
Crude steel production	.45	.26	.20	.17
Iron ore production	.42	.19	.13	.10
Wheat production	.17	.15	.12	.14
International financial reserves	.49	.21	.16	.07
Military expenditures	.32	.48	.35	.27
Exports	.18	.16	.14	.11
Foreign aid[b]	--	.58	.45	.32

[a] Only market economy countries
[b] Only members of OECD, Development Assistance Committee

As its share of power resources in these sectors declined, America became unable and/or unwilling to shoulder the responsibilities of hegemonic leadership. As Rapkin and Avery argue:

> ...a defining feature of hegemonic *leadership* is the willingness to *invest* resources toward the provision of systemic order and stability rather than use of the hegemon's superordinate position to *extract* and *consume* resources from the rest of the system.[12] (emphasis in original)

Increasingly, however, American policies have reflected a tendency of putting domestic, national priorities ahead of systemic objectives. According to Krasner:

> ...as American power has declined, American objectives have changed. Increasingly, greater emphasis has been given to specific national goals; broad Western bloc objectives play a less prominent role in American policy....[U.S. trade and monetary] policies can be identified with specific national economic

10 Webb and Krasner, 1989. *op. cit.*, p. 185.

11 Krasner, Stephen D., 1982. "American Policy and Global Economic Stability." *America in a Changing World Political Economy.* William P. Avery & David P. Rapkin, eds. (New York: Longman), p. 38.

12 Rapkin, David, P. and William P. Avery, 1982. "American Policy and Global Economic Stability." *America in a Changing World Political Economy. op. cit.*, p. 9.

> interests. This shift in emphasis is not a temporary aberration; it is a reflection of a fundamental change in the global political position of the United States. Only an extremely strong country can consistently pursue long-term political objectives, can invest rather than consume....The United States is acting like an ordinary power.[13]

Gilpin makes a similar point:

> As its power declined, American policies became more self-centered....Beginning with the Vietnam War and continuing into the Reagan Administration, the United States had become more of a 'predatory hegemon,'...less willing to subordinate its own interest to those of its allies; instead, it tended more and more to exploit its hegemonic status for its own narrowly defined purposes.[14]

In summary, if hegemonic power is based on control of material resources and a country's ensuing ability to enforce its will on other states--a view that, *inter alia*, Keohane, Krasner and Gilpin share--then the United States no longer can be considered a hegemon. As the discussion in chapter two and table 3.1 illustrate, American dominance in critical sectors of the global political economy has come to an end; concurrently, its hegemonic reign has also passed. The fact that the U.S. is pursuing national interests at the expense of wider, systemic interests illustrates the loss of American hegemony.

Although the realist paradigm, with its focus on traditional resources, is accepted by many scholars, it fails to present a convincing account of U.S. hegemony. In the first place, if America is no longer a hegemon, why hasn't the international politico-economic order collapsed? As Webb and Krasner put it:

> [I]f the hegemonic stability thesis is understood to mean that stability is only possible if there is a hegemonic power and the United States is no longer a hegemon, then recent empirical developments are not consistent with the theory. Despite setbacks and difficulties, the world economy has performed too well, and remained too open.[15]

One possible explanation for the unexpected stability is that the hegemonic stability theory is flawed, and that--as Keohane argues--international cooperation can develop in the absence of a hegemon enforcing rules.[16] The other leading possibility is "...that the United States is still a hegemon, albeit a waning one."[17]

Another shortcoming with this approach is that it tends to overstate the degree to which the U.S. was able to coerce other countries in the years immediately following

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13 Krasner, 1982. *op. cit.*, pp. 43, 47.

14 Gilpin, 1987. *op. cit.*, p. 345.

15 Webb and Krasner, 1989. *op. cit.*, p. 195.

16 Keohane, 1984. *op. cit.*

17 Webb and Krasner, 1989. *op. cit.*, p. 195.

World War II--precisely when American hegemony was at its alleged peak. As Michael Hunt points out, the U.S. "...encountered serious difficulties on a number of fronts"[18] when it tried to use its 'preponderance of material resources' to achieve foreign policy objectives between 1945 and 1960. For instance, in Eastern Europe, North Vietnam, Korea and Cuba, America was unable to impose its preferred outcomes.[19] Accordingly, Hunt refers to American post-war hegemony as "The Myth of the Golden Age."[20] An objective reading of history reveals that America's "...power to control developments abroad and to dominate great power relations has always been circumscribed."[21] Ikenberry similarly recognises "the limits of American postwar power."[22] His review of American efforts to establish the international economic order demonstrates that:

> There was less exercise of coercion than is commonly assumed in the literature on hegemonic power, and where it was used, it was less successful than often thought....The direct use of American power to coerce European acceptance of liberal multilateral designs...were [sic] singularly unsuccessful."[23]

Krasner actually makes a similar point with respect to the American-led security regime: "There have always been conflicts within the Western alliance. The United States has not always prevailed, *even at the apex of its power*....[T]he United States could never dictate policy to Europe...."[24] (emphasis added) Evidently, U.S. hegemony was not always characterized by American 'power over' the international order. Yet, the traditional realists assume that American preponderance in material resources during the immediate postwar period endowed it with the ability to create institutions and enforce rules as it desired. As Ikenberry notes, however, "This image is a distortion....And it serves to mislead the subsequent inquiry into the process of hegemonic decline."[25] Put differently, "No power can live up to the exaggerated standards set down by bad history."[26] If the

18 Hunt, Michael, H., 1990. "American Decline and the Great Debate: A Historical Perspective." *SAIS Review* (Vol. 10, No. 2), p. 29.

19 *Ibid.*, pp. 29-30.

20 *Ibid.*, p. 29.

21 *Ibid.*, p. 33.

22 Ikenberry, 1989. *op. cit.*, p. 380.

23 *Ibid.*, pp. 376, 398.

24 Krasner, Stephen, 1989. "Realist Praxis: Neo-isolationism and Structural Change." *Journal of International Affairs* (Vol. 43, No. 1), p. 155.

25 Ikenberry, *op. cit.*, p. 380.

26 Leaver, Richard, 1989. "Restructuring in the Global Economy: From Pax Americana to Pax Nipponica?" *Alternatives* (No. 14), p. 442.

United States was unable to force policies upon political adversaries, trading partners or allies forty years ago, then its inability to impose compliance today does not necessarily demonstrate the loss of American hegemony.

A final--and the most critical--weakness of the realist paradigm is its state-centric approach and strong tendency towards historical determinism. Given the anarchic nature of international politics, states will inevitably struggle for power--at the ultimate expense of the hegemon; thus, hegemonic decline is essentially unavoidable.[27] Such a theoretical approach excludes the possibility of change in the international system whereby states recognize common interests and pursue them in a way that actually strengthens a hegemon's power and influence. In such circumstances, "American power resources are effectively extended, although the material aggregates of American power may indicate that the contrary appears to be the case."[28] The state-centric approach further suffers from the 'levels of analysis problem.' As Richard Leaver notes, "Within this straitjacket, one [can] not go beyond simple categorizations of state apparatuses."[29] Consequently, the realist analysis of hegemony fails to take into account the influence and role of numerous non-state actors, including transnational corporations, international organizations, culture, ideology and social forces which may critically impact hegemonic power--for better or worse. Gill makes the point most succinctly with his observation that, "...a state-centric analysis [of hegemonic power] is clearly inadequate."[30]

Structural Power

Whereas the realist assessment of hegemony focuses on relational power, Susan Strange argues that it is "...structural power than counts."[31] Strange defines structural power as "...the power to choose and shape the structures of the global political economy within which other states, their political institutions, their economic enterprises,

27 Gill and Law refer to this as the "inevitability thesis" inherent to the realist approach. Gill, Stephen and David Law, 1988. *op. cit.*, p. 353. See also Gill, 1986. *op. cit.*, pp. 314-16. For Gilpin's views see Gilpin, Robert, 1981. *War and Change in World Politics* (Cambridge: Cambridge University Press), pp. 156-85.

28 Gill and Law, 1988. *op. cit.*, pp. 353-54.

29 Leaver 1989. *op. cit.*, p. 440.

30 Gill, 1986. *op. cit.*, p. 322.

31 Strange, Susan, 1987. "The Persistent Myth of Lost Hegemony." *International Organization* (Vol. 41, No. 4), p. 564.

and...their professional people have to operate."[32] While relational power consists of the ability of one country to compel another to do something that it would not otherwise do, through coercion or persuasion, structural power "...consists in the ability of [a country] to determine the way in which certain basic social needs are provided....[I]t embraces customs, usages, and modes of operation...."[33] Thus, relational power can be viewed as a *lever* while the broader notion of structural power is perceived as a *framework*.[34]

According to Strange:

> [S]tructural power is more important to an understanding of the international system than relational power; and consequently,...because the United States has more actual and potential structural power than any other political authority in the international system, its power in the system is undiminished....[T]he failure to understand and appreciate the extent of U.S. structural power has led too many writers and teachers to compose premature epitaphs on the American Century and American hegemony.[35]

Whether or not the U.S. still enjoys 'preponderance of material resources' is less important than its position in the four domains of structural power, which combine economic and political influence: security, production, finance/credit and knowledge.[36] The country that sits at the apex of these four interrelated structures possesses the requisites for hegemonic leadership. In spite of the numerous assertions made by Gilpin, Keohane, Krasner, *et al.* that American hegemony has drawn to a close, Strange argues--based on her assessment of the U.S. position in terms of structural power--that the United States remains a hegemon. In fact, she claims that, "...on balance American structural power may actually have *increased* in recent decades."[37] (emphasis added) To show how Strange arrives at this conclusion, it is necessary to review her analysis of America's place in the security, production, finance/credit and knowledge structures.

With respect to the security structure, Strange argues that, "So long as the possibility of violent conflict threatens personal security, the state which offers protection against

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32 *Ibid.*, p. 565.

33 Strange, Susan, 1989. "Toward a Theory of Transnational Empire." *Global Changes and Theoretical Challenges to World Politics for the 1990's*. E.O. Czempiel & James Rosenau, eds. (Lexington: Lexington Books), p. 165.

34 *Ibid.*

35 *Ibid.*, p. 164.

36 Strange, 1988c. *States and Markets: An Introduction to International Political Economy* (London: Pinter), p. 24.

37 *Ibid.*, p. 13.

that threat exercises power...."[38] Throughout the postwar period, the United States has provided its allies protection from the perceived Soviet military threat. No other nation has had the capability and/or will to protect the 'free world' from Soviet conventional or nuclear attack. US strategic and tactical nuclear forces are matched only by the Soviet Union and its conventional forces possess state-of-the art technological advantages; the American Navy is by far the most potent naval force in the world; and military alliances with European, Asian and Pacific countries extend America's military influence. As Strange points out, "The preponderant power of the United States in the security structure operates on land, at sea, in the air, and (most markedly) in space."[39]

Turning to the production structure, Strange maintains that 'Made in the U.S.A.' is not the main indicator of American power:[40]

> It is not the share of industrial manufacture products made in the United States nor of the share of U.S. exports of manufactures to world markets that counts. We should look instead at the proportion of total world production of goods and services produced: a) in the United States, and b) by enterprises ultimately headquartered in the United States and responsible to the government in Washington.[41]

America's falling share of global GNP is not particularly worrisome to Strange given, first, the significant level of goods and services produced off-shore by U.S. based TNC's[42] and, second, the growing level of intrafirm trade, which Strange sees as the "...largest and fastest growing section of the world production structure."[43] With respect to this trade:

> TNCs based in the United States, plus TNCs based elsewhere but having a large part of their profit-making operations in the United States, play a dominant role. Any TNC, whatever its nationality, that hopes to keep a substantial share of the world market now finds it indispensable to operate in the territorial United States. The political authority, therefore, that most TNC executives are likely to heed and most anxious to avoid offending is that based in Washington.[44]

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38 Strange, 1987. *op. cit.*, p. 565.

39 *Ibid.*, p. 566.

40 See Strange, 1988c. *op cit.*, p. 236.

41 Strange, 1987. *op. cit.*, pp. 566-67.

42 According to Strange, Paul Kennedy's assumption than a country's 'flourishing economic base' should be located within the territory of the state "...is obsolete and therefore open to doubt....[T]he location of productive capacity is far less important than the location of the people who make the key decisions on what is to be produced, where and how, and who design, direct and manage to sell successfully on a world market." Strange, 1988a. *op. cit.*, p. 5.

43 Strange, 1989. *op. cit.*, p. 167.

44 *Ibid.*

Finally, Strange claims that changes in global production have restricted the ability of most countries to control the production process within their own territory. What used to be the autonomous prerogatives of all national governments "...are now shared unevenly between a few governments of the largest and richest countries--of the which the government of the United States is by far the most important."[45]

Strange also maintains that the U.S. remains at the apex of the finance/credit structure. Once again, she rejects allegations of American decline based on material indicators. "How much gold and foreign exchange the U.S. government holds compared to Germany or Japan is beside the point when the United States is the only government capable of creating dollar assets that are accepted and saleable worldwide."[46] With the dollar serving as the international currency, America has tremendous influence over the global finance/credit system. Policies of tightening or relaxing the money supply in the U.S. have far-reaching international effects. This is reflected in Strange's claim that, "Whether the U.S. decides to let loose the hounds of inflation or to bang the door of deflation is something over which the rest of the world has little control."[47] A long-term balance-of-payments deficit for most countries would be a sign of weakness. Yet, Strange believes that in the case of the U.S., it is a sign of strength: "...to run a persistent deficit for a quarter of a century with impunity indicates not American weakness, but rather American power in the system."[48] America's leadership in the finance structure is further illustrated by the fact that foreign countries consistently emulate U.S. regulatory policies. As Strange puts it, "...it has proved impossible for any country involved in this financial structure to resist the pull of U.S. policy."[49]

Lastly, keeping in mind the adage that 'knowledge is power,' Strange declares that:

> [W]hoever is able to develop or acquire a kind of knowledge that is sought by others, and whoever can control the channels by which it is communicated and the access to stores of knowledge, is able to dominate.[50]

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45 *Ibid.*

46 Strange, 1987. *op. cit.*, p. 568.

47 Strange, 1989. *op. cit.*, p. 168.

48 Strange, 1987. *op. cit.*, p. 569.

49 Strange, 1989. *op. cit.*, p. 168.

50 Strange, 1987. *op. cit.*, pp. 569-70.

According to her assessment, the United States is the country that dominates. To illustrate this claim, Strange cites, *inter alia*, America's lead in advanced technological sectors; high levels of private and governmental funding for research and development; large, well-financed universities; the dominance of American news, media, television and advertising, management and marketing techniques.[51] In addition, "...the use of the American version of the English language"[52] as the international *lingua franca* also reinforces U.S. power in the knowledge sector.

According to Strange's analysis, the United States clearly dominates the security, production, credit/finance, and knowledge structures. "The conclusion to be drawn...is that the decline of U.S. hegemony is a myth--powerful, no doubt, but still a myth. In every important respect the United States still has the predominant power to shape frameworks and thus to influence outcomes."[53] Given the degree to which American authority has penetrated every domain of structural power, Strange claims that the world is witnessing the emergence of "...a nonterritorial empire with its imperial capital in Washington, D.C."[54] Such a conception of hegemony is beyond the realist analysis with its state-centric orientation. Clearly, Strange's approach for assessing American hegemony is far superior to that of the realist approach with its focus upon traditional power resources. As Higgott points out, relational power--"...the essence of the 'realist' discourse"--is "...merely a 'one-dimensional' view of power. Structural power is two dimensional."[55] Strange's approach makes it possible to throw off the analytical straightjacket to which Leaver has referred and "...to explore the larger dimensions of power."[56] Bruce Russett has argued that "...a general evaluation of the state of American 'hegemony'...must carry the discussion beyond selected, rather narrow issue-areas."[57] An analysis based on structural power allows one to do precisely that. However, just because Strange's framework provides a more effective means for assessing American hegemony, it does not necessarily follow that Strange's analysis itself is correct. In fact, by referring to certain aspects of American decline which

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51 *Ibid.*, pp. 570-71; Strange, 1989. *op. cit.*, pp. 168-69.

52 *Ibid.*, p. 169.

53 *Ibid.*, p. 169.

54 *Ibid.*, p. 170.

55 Higgott, 1989. *op. cit.*, p. 25.

56 Ikenberry, 1989. *op. cit.*, p. 380.

57 Russett, 1985. *op. cit.*, p. 215.

were discussed in chapter two, it become apparent that Strange has overstated the case for U.S. structural power predominance. It is appropriate, then, to consider briefly some of the shortcomings of her own analysis before presenting any final conclusions about American hegemony based on structural power.

Considering first the security structure, Strange's argument loses a bit of its force in light of the end of the Cold War and the removal of the Soviet Union as a credible military threat to the western world. This is not to say that U.S. military supremacy vis à vis its allies (or parity with the Soviets) has been lost. Rather, with the fading Soviet threat, there is a looming possibility that America's allies will no longer need to rely on the U.S. for protection. The question that will increasingly be asked is, "protection from what?" Recent events in the U.S.S.R. and Eastern Europe, then, make this element of Strange's argument increasingly irrelevant. Furthermore, although Strange maintains that dominance in one domain of structural power reinforces and promotes dominance in the other domains,[58] she fails to explain who preponderance in the security structure translates into influence in the production, finance/credit or knowledge structures. As was pointed out in the previous chapter, many scholars believe that the opposite holds true; America's high level of defense spending, which allows it to sit at the apex of this structure, undermines its position in the economic structures.

Turning to the production structure, Strange's assessment appears overly optimistic and lacks a certain degree of credibility. In the first place, she offers very few, if any, statistics to support many of her arguments. For instance, she asserts that goods and services produced overseas by American-based TNC's account for a significant degree of U.S. power in the production sphere; yet, she provides no statistics to prove this point. Just what proportion of world production do American TNC's produce? Where she does provide economic data, many of the figures and projections have not stood the test of time. For example, she confidently notes that U.S. computer manufacturers produce 62.3 percent of the world's computers and that AT&T and ITT are the top two companies in terms of global telecommunications sales.[59] *ABC News* recently reported, however, that American companies now manufacture less than half of the world's computers and that

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58 See, *e.g.* Strange, 1987. *op. cit.*, p. 565; 1989. *op. cit.*, p. 165.

59 Strange, 1987. *op. cit.*, p. 567.

Japanese computer *and* telecommunication production will surpass the U.S. level in 1992.[60]

Although Strange maintains that it matters little whether America's manufacturing industry produces goods in the U.S. or off-shore, many scholars maintain that it *does* matter. There are several justifications for rejecting Strange's arguments on this point. In the first place, as others have argued extensively,[61] America's domestic industrial base is an important foundation for the national economy. As Cohen and Zysman put it, "Manufacturing is critical to the health of the economy....The wealth and power of the United States' economy would decline drastically if major segments of manufacturing were to shut down or to move off-shore."[62] Furthermore, Strange poses a rhetorical question when she asks, "Is it more desirable that Americans should wear blue collars and mind the machines or that they should wear white collars and design, direct and finance the whole operation?"[63] The fact of the matter is that it is unrealistic to assume that all Americans could cast off their blue collars and suddenly don white collars. As traditional, blue collar jobs are lost--for instance, with a U.S.-based TNC moving production overseas--these workers are not promoted into higher paying white collar jobs, which often require a higher level of skill and training. Instead, they often face long-term unemployment or find it necessary to take lower paying jobs in, for example, the service sector.

Finally, although Strange raises a valid and important point in noting the growing influence of transnational corporations in the production sphere, it is questionable whether American-based TNC's and foreign TNC's operating in the United States are as responsive to U.S. government directives or policies as she maintains.[64] Gerald Epstein presents a convincing case showing the contrary. Part of his argument is worth quoting at length:

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60 *ABC World News*, 1991. (17 May). For similar points see *Business Week*, 1990. "Biotech Goes Global." (26 February), pp. 30-36; *Business Week*, 1991. "Can the U.S. Stay Ahead in Software?" (11 March), pp. 62-67; and *Business Week*, 1991. "ZOOM! Europe's Airbus is Number Two Behind Boeing--and Its Coming on Strong." (22 April), pp. 20-24.

61 See, *e.g.*, Cohen and Zysman, 1987. *op. cit.*; Tyson, Laura and John Zysman, eds., 1983. *American Industry in International Competition* (Ithaca: Cornell University Press); and Reich, Robert, 1983. *The Next American Frontier* (New York: Times Books).

62 Cohen and Zysman, 1987. *op. cit.*, p. xiii.

63 Strange, 1988a. *op. cit.*, p. 5.

64 See, *e.g.*, "The Stateless Corporation." 1990. *Business Week*. (14 May), pp. 52-59.

> ...as U.S. firms have shifted more and more of their operations overseas, their sense of identity has ceased to be closely associated with their country of origin....As U.S. multinational corporations feel less tied to the United States, they are less willing to pay to maintain the quality of domestic productive factors that in the past would have been necessary to the success of their operations....They are less willing to support U.S. public investment because they no longer see themselves as directly benefiting from it....Ironically...U.S. multinational corporations, out of concern for their investments abroad, end up defending the interest of foreign multinational corporations here at the expense of America's communities, taxpayers, and workers....[T]he real problem is not the nationality of corporations but the lack of correspondence between the interests of multinational corporations and the communities in which they operate. Capital and production, able to move freely around the globe, have turned the multinational corporation--regardless of national origin--into a 'foreign' entity in relation to the community in which it operates.[65]

The CEO of National Cash Register, Charles Exley, illustrated this point with his assertion that, "National Cash Register is not a U.S. corporation. It is a world corporation that happens to be headquartered in the United States."[66] Furthermore, a United Nations study has pointed out a recent trend which indicates that America-based TNC's are losing some of their global dominance as Japan and West European countries emerge "..as the major home countries [of TNC's]."[67]

In light of America's national debt and weakened banking system, it seems that Strange is particularly guilty of overstating U.S. dominance in the finance/credit structure. Strange makes no reference whatsoever to America's transformation from the world's largest creditor nation to the world's pre-eminent debtor nation. Yet, surely this has eroded America's position in the finance structure. Similarly, she points to the 'bailing out' of U.S. banks after their loans to Latin America were defaulted upon as an example of "...American domination of the world's financial system."[68] But, once again, certainly these bad loans undermined the overall position of U.S. banks--particularly when one takes into account the fact that Japanese banks, which had been more responsible in their foreign lending, largely escaped the third world debt crisis unscathed. The American banking system has been further weakened by the massive Savings and Loan collapse.[69] Today, not a single U.S. bank is represented in a listing of the ten largest

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65 Epstein, 1990-91. *op. cit.*, pp. 39, 44.

66 *Ibid.*, p. 39.

67 Quoted in Gill, Stephen and David Law, 1989. "Global Hegemony and the Structural Power of Capital." *International Studies Quarterly* (Vol. 33, No. 4), p. 482.

68 Strange, 1987. *op. cit.*, p. 569.

69 For a recent discussion of weaknesses in the U.S. banking system, see *Business Week*, 1991. "A Shock to the System." (21 January), pp. 26-29.

banks of the world;[70] this is a telling indicator, particularly since Strange uses similar statistics to show America's dominance in the production structure.[71]

Furthermore, "...as the increasing talk of yen-dominated Treasury bills suggests, there are limits to...investor confidence and world demand for dollars."[72] Accordingly, the position of the dollar as the global currency--and the financial power that confers upon the United States--may not be as secure as Strange maintains. Lastly, if the U.S. is the undisputed 'king of the mountain' in global finance/credit, why is America unable to compel Germany and Japan to follow the U.S. lead in the setting of interest rate levels? As the *International Herald Tribune* recently reported, "Germany and Japan, pursuing strict anti-inflation policies to deal with specific domestic problems of their own, show no signs of planning to respond to the Bush administration's pleas [for a reduction in interest rates]."[73] It would appear that the U.S. is no longer the only country that decides whether the 'hounds of inflation' will be let loose or whether 'the door of deflation' will be closed.

With respect to the knowledge structure, U.S. predominance is again not as pervasive as Strange concludes. For instance, Strange correctly points out that part of America's strength in the knowledge domain is based upon the dominance of U.S. corporations in high technology sectors and access to large capital markets, which fund necessary research and development.[74] However, Japan appears to be matching--if not surpassing--the U.S. in this critical sector. For instance, Japan's civilian R&D funding, measured in absolute terms, recently passed the U.S. level. Also, the proportion of patents registered with the U.S. Patents Office by Japanese corporation have consistently risen over the past fifteen years, as the American share has fallen.[75] Similarly, Strange claims that American management and marketing techniques are copied around the world. Yet, an equally persuasive argument could be made that *Japanese* management and marketing techniques have spread to Europe and North America.

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70 Kennedy, 1990a. *op. cit.*, p. 37.

71 See *e.g.* Strange, 1987. *op. cit.*, pp. 567-68.

72 Epstein, 1990-91. *op. cit.*, p. 47.

73 Redburn, Tom, 1991. "A Victor in War, U.S. is Pinned Down on Economic Front." *International Herald Tribune* (22 April), p. 1.

74 See Strange, 1989. *op. cit.*, pp. 168-69; Strange 1987. *op. cit.*, pp. 570-71.

75 See Kennedy, 1990a. *op. cit.*, p. 37 and Huntington, 1991. *op. cit.*, p. 9.

Turning to the question of universities, Strange's point that they are among the best in the world is fair. However, the quality of the universities seems increasingly to exceed the quality of the American students who enrol in them. For instance, a recent survey of U.S. academics indicated that, "More than twice as many academic-research leaders believed the quality of American graduate students had gone down as believed that graduate student qualities had gone up."[76] Moreover, at the graduate level, many of the degrees conferred by universities go to foreign students. As Robert Bottoms, president of DePauw University, observed:

> Because the graduate schools were full, we thought we were okay. But they were full of foreign nationals, most of them planning to return home. Within ten years, there will virtually be no large home-grown batch of scientists available.[77]

Given the shortcomings of America's public education system at the primary and secondary levels, it seems unlikely that the quality of U.S. students undertaking university studies will improve anytime soon. This is sure to have an important impact on other facets of the knowledge structure. Finally, one can be sceptical about the significance of English as the *lingua franca*. Does America benefit from this any more than the U.K., Australia, Canada or other English speaking countries? Kennedy makes an interesting point in arguing that since English is the leading international language, few Americans become multilingual. Meanwhile, many of their international economic competitors who learn English are capable of functioning in more than one linguistic environment.[78]

Notwithstanding these criticisms of Strange's analysis,[79] the fact remains that the U.S. is still "...the state which is dominant in most aspects of structural power...."[80] Accordingly, the United States has the means, if not the will, to fulfil its hegemonic role. First of all, it is undeniable that the United States has emerged from the Cold War with

76 *The Chronicle of Higher Education*, 1991. "U.S. Lead in Biomedicine Said to Be in Jeopardy." (20 February), p. A2.

77 Chancellor, 1990. *op. cit.*, p. 47. Chancellor points out that half of the doctorates awarded in physics by U.S. universities in 1986 went to foreign students and that in 1985 only 240 Americans earned Ph.D.s in computer science. *Ibid.*, pp. 47, 46.

78 Kennedy, 1990a. *op. cit.*, p. 37.

79 In fairness to Strange, her most recent piece on America's overall structural power was published in 1989. It is possible that her assessment could be different today. Nevertheless, such U.S. weaknesses as its national debt and poor education system were well known when she wrote her earlier pieces, and she seemed to disregard them at that time.

80 Strange, 1987. *op. cit.*, p. 565.

the most potent military force in the world; thus, it remains at the apex of the security structure.[81] As was proven in the Gulf War, America remains uniquely qualified to "...threaten or defend, to deny or to increase--other people's security from violence."[82] Secondly, by almost any analysis the U.S. still remains the dominant country in the production structure, though its position in this structure is much less assured than in the security structure.[83] As was pointed out earlier, America's dominance of the finance/credit structure looks rather precarious. Nevertheless, given the role of the dollar as the international currency and America's privileged position in the World Bank and IMF,[84] the United States still is able to wield considerable power and influence in the world's financial market--probably more than any other single country.[85] Lastly, in the knowledge structure, the U.S. still appears to have an edge on all other countries--thanks in large part to the high level of government R&D funding and America's renowned universities, 'think tanks,' and medical research institutions.

Although an analysis based on structural power offers a more revealing and accurate picture of U.S. hegemony than the traditional realist approach, it suffers from one serious drawback--namely, how does one *measure* structural power? It is much easier to demonstrate empirically 'preponderance of material resources' than it is to prove structural dominance. For instance, what are the constitutive elements of dominance in the knowledge structure? Should more weight be given to national literacy rates, government funding of high technology research, the percentage of Nobel Prize winners or control of television satellites? Similar questions can be made with respect to the security,

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81 Although some people argue that military force will become increasingly peripheral in the international system, as economic issues take central stage, recent events in the Persian Gulf illustrate that--at least in some circumstances--the deployment and engagement of military forces may be necessary to achieve economic or political objectives.

82 Strange, 1987. *op. cit.*, p. 565.

83 Signs of America's vulnerability in the production structure would include Japan's rapid GNP growth, compared to the U.S.; continued integration of the economies of EC member states; and America's falling significance as a market for exports, relative to the European Community and Asia. With respect to this last point, *ABC World News* reported that Japan now exports more goods and services to the Asian region than to the U.S.A. See also, Zysman, 1991. *op. cit.*, pp. 82-85.

84 See Gill and Law, 1988. *op. cit.*, pp. 345-46.

85 For an analysis of America's enduring dominance in the finance/credit structure, despite Japan's growing influence, see Strange, Susan, 1990. "Finance, information and power." *Review of International Studies* (Vol 16, No. 3), pp. 259-274.

production and finance/credit structures. Many of Strange's conclusions about U.S. dominance in the four structures--and, admittedly, many of the conclusions in this section of this subthesis--seem to be based on generalizations and intuitive weighting of various indicators. Such an impressionistic analysis lends itself to easy criticism. Evidently, more research needs to be undertaken with the goal of establishing a more coherent analytical framework for weighing and assessing the various indicators of structural power. In the meantime, however, Strange's approach is still far superior to that of the realists who focus almost exclusively on material resources.

Gramscian Conceptions of Hegemony

The final of the three conceptions of hegemonic power reviewed in this subthesis is derived from the writings of the Italian Marxist Antonio Gramsci. Robert Cox has been one of the leading scholars in applying Gramsci's notions of hegemony to the international system.[86] In a sense, Gramscian hegemony moves even further away from the traditional, realist approach than Strange's notion of structural power because it focuses on "ideational forces."[87] According to Cox, hegemony--viewed from a Gramscian perspective--can be defined as:

> [A] special kind of dominance that involves some concessions to the interests of other powers such that all (or most) can regard the maintenance of the order as being in their general interest and can define it in terms of universality. Insofar as it involves common norms and ways of thinking about world order, a hegemonic order transcends a purely inter-state arrangement to become a social order.[88]

Stephen Gill and David Law recently pointed out that, "Gramsci's ideas are, as yet, somewhat underdeveloped in the international relations literature...."[89] It is not surprising, then, that much of the literature which applies Gramsci's ideas to global

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86 See, *e.g.*, Cox, Robert, 1983. "Gramsci, Hegemony and International Relations: An Essay in Method." *Millennium* (Vol. 12, No. 2), pp. 162-75 and Cox, 1989. "Production, the State, and Change in World Order." *Global Changes and Theoretical Challenges to World Politics for the 1990's*. E.O. Czempiel and James Rosenau, eds. (Lexington: Lexington Books), pp. 37-49.

87 Ikenberry, G. John and Charles A. Kupchan, 1990a. "The Legitimation of Hegemonic Power." *World Leadership and Hegemony*. *op. cit.*, p. 52.

88 Cox, 1989. *op. cit.*, p. 42.

89 Gill and Law, 1989. *op. cit.*, p. 476.

hegemony emphasizes different points and follows diverse lines of reasoning.[90] Nevertheless, there is a clear consensus on one point in particular among these scholars--namely, that American hegemony endures. A brief discussion of points made by Bruce Russett, Gill and Law, and Alan Cafruny illustrates both the range of this literature and the overall agreement on U.S. hegemony.

For his part, Bruce Russett focuses on the cultural aspect of Gramscian hegemony and concludes that cultural hegemony has "...proved a major resource to the [U.S.] in maintaining its more general hegemony."[91] In the wake of World War II, Russett maintains that:

> American liberal ideas largely filled the cultural void....American mass consumption culture was the most pervasive part of America's impact. American styles, tastes, and middle class-consumption patterns were widely imitated, in a process that has come to bear the label 'coca-colonization.' Altogether, the near-global acceptance of so many aspects of American culture--consumption, democracy, language--very quickly laid the basis for what Gramscians would call cultural hegemony.[92]

The acceptance of American values and beliefs throughout much of the industrialized world

> ...meant that in many cases Americans would be able to retain substantial control over essential outcomes without having to exert power over others overtly. Rather, others' values were already conditioned to be compatible with American wishes in ways that would benefit Americans as well as themselves....[93]

This reflects Cox's definition of hegemony insofar as it "involves common norms and ways of thinking about world order" and recognizes that the particular interests of all

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90 See, *e.g.*, Russett, 1985. *op. cit.*; Gill, Stephen, 1986a. "Hegemony, Consensus and Trilateralism." *Review of International Studies* (Vol. 12, No. 3), pp. 205-221; Gill, 1986b. *op. cit.*; Gill, 1990a. "The Emerging Hegemony of Transnational Capital: Trilateralism and Global Order." *World Leadership and Hegemony, op. cit.*, pp. 119-46; Gill, 1990c. *American Hegemony and the Trilateral Commission* (Cambridge: Cambridge University Press); Gill and Law, 1988. *op. cit.*, pp. 76-80, 335-67; Gill and Law, 1989. *op. cit.*; Ikenberry and Kupchan, 1990a. *op. cit.*, pp. 49-69; Ikenberry and Kupchan, 1990b. "Socialization and hegemonic power." *International Organization* (Vol. 44, No. 3), pp. 283-315; Cafruny, Alan W., 1990. "A Gramscian Concept of Declining Hegemony: Stages of U.S. Power and the Evolution of International Economic Relations." *World Leadership and Hegemony, op. cit.*, pp. 97-118; Rupert, Mark E., 1990. "Power, Productivity, and the State: The Social Relations of U.S. Hegemony." *World Leadership and Hegemony, op. cit.*, pp. 71-96; Tooze, Robert, 1990. "Understanding the Global Political Economy: Applying Gramsci." *Millennium* (Vol. 19, No. 2), pp. 273-80; and Aueglli, Erico and Craig Murphy, 1988. *America's Quest for Supremacy and the Third World: A Gramscian Analysis* (London: Pinter).

91 Russett, 1985. *op. cit.*, p. 208.

92 *Ibid.*, p. 229.

93 *Ibid.*

states are served by the hegemonic order. Since the general public and elites of foreign countries view the world 'through the same lenses' as their American counterparts, there is a significantly reduced need for the United States to use overt coercion to maintain order and promote American interests.[94] Consequently, the relative decline in U.S. predominance of material resources is less important than neo-realists claim. In summary, Russett maintains that, "Cultural hegemony provides long-term influence that persists, and persists deeply, to this day. It is among the primary reasons why a decline in dominance over material power has not been reflected in an equivalent loss of control over outcomes."[95]

Gill and Law--and Gill writing on his own--offer an analysis of Gramscian hegemony which encompasses Russett's discussion of cultural hegemony but draws more actively from the writings of Cox. In particular, as will be discussed presently, they raise the prospect of the emergence of a 'transnational hegemony.' Much of their basic argument, however, closely resembles that of Russett, with an emphasis on the cultural and ideological dominance of the United States. Echoing Russett, Gill and Law note that a Gramscian analysis "...highlights the role of ideas and culture, in that they serve to shape preferences and constrain perceptions of what is possible."[96] They go on to assert that, "From a Gramscian perspective, the most skilful use of direct, coercive power requires a vision of a self-reproducing structural power, both economic and ideological."[97] According to Gill, the U.S. put such a vision into practice after World War II by promoting interpenetrating political, economic and military structures (democracy, capitalism and containment). International organizations and regimes such as the GATT, IMF and World Bank, NATO, OECD, the United Nations and the European Community reflect the success of the U.S. strategy. Over time, these structures have become increasingly accepted and endorsed by nations around the world, which, in turn, has led to "... the institutionalisation of U.S. hegemony, and the careful construction and maintenance of

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94 One of Russett's main themes is, in fact, that the structural transformation of the international system--brought about largely through cultural hegemony--has meant that "...the United States has not had to exert such overt control over others in order to maintain control over outcomes." *Ibid.*, p. 208 and *passim*.

95 *Ibid.*, p. 230.

96 Gill and Law, 1988. *op. cit.*, p. 77.

97 *Ibid.*, p. 78.

international regimes embodying principles and values favourable to the U.S."[98] As a result:

> U.S. hegemony, although showing a relative decline in the conventional aggregate measures of size of GNP, military capacity, etc., has been transformed in such a way that its centrality with the global political economy has been re-emphasised, and in certain respects this centrality has even increased.[99]

Viewed from the Gramscian perspective, Gill and Law maintain that the scope of U.S. hegemony is unprecedented. Indeed, Gill argues that it is "...historically unique and qualitatively different from previous hegemonies."[100] Moreover,, he and Law claim that:

> ...a 'transnational' hegemony may be emerging in which a transnational class predominates, leading a hegemonic bloc of mainly transnational capital, and 'incorporated' capital....[A]t the geographical centre of such a potential 'transnational' hegemony would be a group of capitalist countries led by the United States.[101]

This notion of a transnational hegemony resembles Susan Strange's concept of a 'non-territorial empire.' While it is beyond the scope of this subthesis to consider in any detail what the implications of such a hegemonic order would be--should it, in fact, emerge--it is worth bearing in mind Gill and Law's observation that "...in so far as American hegemony becomes more transnational in character, it will become less 'all-American.'"[102]

Finally, Alan Cafruny uses a Gramscian analysis to show that the United States remains a hegemonic power, though he believes that American hegemony has declined. Cafruny maintains that Gramsci's approach encompasses both subjective and objective components of power.[103] Thus, hegemony is not based solely upon objective power, which the realist approach emphasises, nor is it founded strictly upon ideological or cultural dominance, upon which Russett focuses. As he puts it:

> [N]ot only must the hegemonic group dominate the ideological terrain, controlling morally and doctrinally the terms of debate, it also must be able to implement policies that simultaneously produce consent even as they serve the long-range interests of the ruling group....In a hegemonic system, the ruling group governs primarily by eliciting consensus from subordinate groups, even though the long-range...interests of these groups may not be served. The stronger its position, the

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98 Gill, 1986b. *op. cit.* p. 322.

99 *Ibid.*, p. 312.

100 *Ibid.*, p. 322.

101 Gill and Law, 1988. *op. cit.*, p. 355. For further discussion of the role of 'transnational capital,' see Gill and Law, 1989. *op. cit.* and Gill, 1990c. *op. cit.*

102 Gill and Law, 1988. *op. cit.*, p. 358.

103 Cafruny, 1990. *op. cit.*, p. 104.

> less need there is for the use of force....Hegemony is thus a limited form of enlightened despotism, provided the ruling group has the means to afford enlightenment. The ruling group does not simply exploit state power for parochial ends, but rather incorporates at least some of the aspirations of subordinate groups within its economic project.[104]

Cafruny further points out that Gramsci distinguishes between "..three levels or kinds of hegemony:"[105] integral hegemony, declining hegemony, and minimal hegemony. By assessing the degree of consensus between the U.S. and its subordinate partners (a leading element of subjective power) and the ability or willingness of the United States to pursue systemic goals rather than narrow, parochial goals (a reflection of objective power), Cafruny traces American hegemony from its peak, 'integral hegemony' (1944-1960) through its phase of 'declining hegemony' (1960-1971) to its current 'minimal hegemony' (1971-present).[106] In doing so, he notes that, "Although any such discrete periodization--describing trends and forces that overlap--is to some extent arbitrary, the resulting phases provide a theoretically and empirically useful way of slicing the era of U.S. hegemony."[107]

Cafruny appears to be at the forefront of theorists attempting to apply Gramscian notions of hegemony in an empirical manner. Yet, the lack of 'hard,' supporting data is a major weakness of much of the literature which views hegemony from a Gramscian perspective. It was pointed out earlier in this chapter that it is somewhat difficult to demonstrate empirically Strange's conception of hegemony based on structural power. An even stronger case can be made against Gramscian notions of hegemony on this issue. Ikenberry and Kupchan, for instance, maintain that "legitimate domination," which is achieved "through a process of socialization,"[108] is "...essential to understanding the exercise of hegemonic power."[109] Yet, they concede that:

> Identifying and measuring the process of legitimation within secondary states is a far more difficult task [than measuring the process among elites of a hegemonic power]....Even if we were able to show that norms and practices change over time, it is very difficult to identify and characterize a process of socialization. And even under ideal conditions of controlled experimentation, recognition and description of the process of socialization and learning present serious methodological problems. These problems loom even larger when dealing with societies and

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104 *Ibid.*

105 *Ibid.*, p. 105.

106 *Ibid.*, pp. 107-14

107 *Ibid.*, p. 106.

108 Ikenberry and Kupchan, 1990a. *op. cit.*, p. 52.

109 *Ibid.*, p. 49.

> international systems. Given these obstacles, we do not presume to be able to build a rigorous, air-tight case for the notion of legitimate domination.[110]

Russett makes a similar point with his observation that, "Gramscian ideas of influence are notoriously difficult to operationalize because by definition they leave no traces in events...."[111] Apparently, it is one thing to say that the internationalisation (or socialisation, to use Ikenberry and Kupchan's term) of American ideology, culture and norms reinforces U.S. hegemony; it is quite another to measure or demonstrate empirically the existence or degree of this internationalisation.

Moreover, an important question can be raised as to why particular ideological and cultural manifestations should be viewed solely as 'American.' After all, Adam Smith was British, and Switzerland was a democracy before the United States. To label capitalism, democracy, anti-communism and consumerism as uniquely American values seems awfully parochial.[112] On a related point, British values and ideas still have a strong hold in many parts of the world; yet few scholars talk about British cultural hegemony. Furthermore, examples abound where America's alleged cultural hegemony has failed to translate into control over outcomes. For instance, crowds may wave American flags at Bruce Springsteen concerts in Paris, but the French government still refused to let American bombers overfly France en route to Libya. Similarly, the Japanese public are among the wealthiest consumers in the world, but there are few signs that their government is going to allow American rice to be imported anytime soon. As a final example, U.S. cultural hegemony has surely spread to Israel, but the Bush administration has not been able to push the Israeli government into negotiations with its Arab neighbours. Thus, even if one accepts that cultural hegemony is uniquely 'American,' it clearly does not follow that countries which come under its influence will automatically endorse and follow American policies or actions.

Finally, inherent to Gramscian notions of hegemony is the element of legitimacy. That is to say, "[t]he right to lead emanates less from economic and military power as such

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110 *Ibid.*, pp. 58-59. The same point is made in Ikenberry and Kupchan, 1990b. *op. cit.*, pp. 286-87.

111 Russett, 1985. *op. cit.*, p. 229.

112 As Stanley Hoffman points out, "[T]he triumph of US ideals is not the same thing as that of US power, partly because it is in fact the triumph of Western, not only American, values." Hoffman, Stanley, 1990-91a. "America's Heritage." *IISS Adelphi Papers No. 256: America's Role in a Changing World, Part I* (Winter), p. 14.

and more from the willingness of smaller nations to buy into and internalize the norms and principles set forth by the hegemon."[113] It seems fair to assume, however, that the hegemon--America in this case--must serve as an example that other countries wish to emulate if they are to 'buy into' and accept U.S. leadership as legitimate. The question that begs to be asked is whether the United States is still, to use one of Reagan's favourite phrases, 'the shining city on the hill,' capable of inspiring ideological and cultural appeal. In short, does the American example still seem worthy of attracting followers?[114] If not, the willingness of subordinate countries to follow America's leadership will slowly erode.

Writing nearly forty years ago, George Kennan made an astute observation that today reflects a Gramscian analysis of hegemony:

> [O]nly he is capable of exercising leadership over others who is capable of some degree of mastery over himself. Peoples of the world are not going to be inclined to accept leadership from a country which they feel is drifting in its own internal development and drifting into bad and dangerous waters.[115]

Arguing from a Gramscian perspective, one can make a case that American hegemony is being undermined as a result of the 'drifting' alluded to by Kennan. John Lukacs recently warned that the erosion of America's international prestige "...has already begun [as a result of] the deteriorating confidence of other peoples in the quality of American leadership...."[116] William Pfaff similarly observed that, "Leadership comes from seriousness, national self-discipline, self-sacrifice and intelligent policy-making directed to attainable, rather than rhetorical, goals."[117] As will be discussed in the next chapter, however, neither America's leaders nor the American public appear capable of demonstrating such crucial characteristics. Accordingly, one can question whether America's cultural or ideological hegemony is as stable or assured as some advocates of a Gramscian analysis seem to believe.

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113 Ikenberry and Kupchan, 1990a. *op. cit.*, p. 49.

114 A recent poll of Germans indicates that the answer is a clear no. When asked what nation should serve as a model for their own country, the four leading candidates were Switzerland (forty percent); Sweden (thirty percent); Japan and Italy (ten percent each). Only two percent of those polled cited the United States as a model that should be emulated. Garten, Jeffrey, 1991. *op. cit.*, p. 13.

115 Kennan, George F., 1954. *Realities of American Foreign Policy* (London: Oxford University Press), p. 114.

116 Lukacs, 1990. "The Stirrings of History." *Harper's* (August), pp. 45-46.

117 Pfaff, 1990. *op. cit.*

As the preceding assessment of the three leading conceptions of hegemonic power reveals, there is little consensus about the present state of American hegemony. Unfortunately, it is difficult to endorse without reservation any of the three approaches because each has certain limitations. As one moves from the neo-realist approach to Strange's analysis and on to Gramscian conceptions of hegemony, it becomes increasingly difficult to verify empirically the indicators of power. Indeed, the main attraction of the neo-realist approach is that it lends itself to easy verification. However, as was pointed out earlier, it excludes far too many elements of American power to be considered as an acceptable framework for assessing U.S. hegemony. To a large degree, just the opposite could be said about the Gramscian approach. It is almost impossible to verify empirically, but it incorporates many of the more subtle dimensions of American power. In particular, it points out the degree to which ideology, culture and legitimized power compensate for America's declining control over material resources. In a sense, Strange's conception of structural power as the basis of U.S. hegemony bridges the gap between the neo-realists and Gramscian analysts. On the one hand, it lends itself to empirical verification--though, as was pointed out earlier, more research needs to be done to facilitate this process. On the other hand, it does not focus exclusively on material resources. The knowledge structure reflects elements of ideological/cultural hegemony, while the overall conception of structural power as "...the power to choose and shape the structure of the global political economy..."[118] suggests, as does the Gramscian analysis, that control over outcomes can be achieved without having to exert power over other countries.

Of the three approaches outlined in this chapter, then, Strange's conception of structural power offers the most cogent framework for assessing U.S. hegemony. Clearly, however, it is not without its shortcomings. In particular, Strange never outlines how much structural power is needed to qualify as a hegemon. Presumably, any country that has the "...predominant power to shape frameworks and thus to influence outcomes..."[119] is a hegemon. This definition--if, in fact it qualifies as a definition--is fairly ambiguous. For instance, to have such 'predominant power' must a country be at the apex of all four structures? If not, which structures are the most important? Such questions are

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118 Strange, 1987. *op. cit.*, p. 564.

119 Strange, 1989. *op. cit.*, p. 169.

particularly relevant in the case of America because, as was pointed out earlier, its position in some of the structures--most notably the finance structure--appears rather vulnerable, while its dominance of the military structure is quite secure. Would the U.S. still be considered a hegemon if Japan supplanted it at the apex of the finance structure and/or the production structure? At the moment, however, such questions are essentially speculative. Although American hegemony has become enfeebled as its dominance of the production, finance/credit and knowledge structure has eroded, for now the U.S. remains at the apex of all four structures and, accordingly, must still be considered a hegemonic power. Yet, as the next chapter will contend, simply qualifying as a hegemon on the basis on aggregate power does not insure that the United States will *act* like a hegemon. Many domestic political and social forces must be considered before an entirely compelling picture of American hegemony can emerge.

CHAPTER FOUR

Domestic Understretch and the Erosion of American Hegemony

Nearly every scholar or commentator who has written on American hegemony concedes that U.S. predominance in the global political economy has suffered a relative decline. Indeed, the critical analysis of the decline debate, which was undertaken in chapter two, showed that America's economic decline is more serious than many anti-declinists admit. Contrary to the assertions of numerous neo-realists, however, America has not yet slipped from its hegemonic pedestal. Most of the debate over America's decline has been conducted within a framework established by neo-realists and consequently has focused primarily upon U.S. control of traditional resources. Yet, as Susan Strange, Bruce Russett, Gill and Law and others convincingly argue, America's decline is less serious than such indicators suggest because U.S. structural power is still pervasive and American cultural/ideological hegemony offsets America's declining 'preponderance of material resources.'

As was argued in the preceding chapter, the neo-realist analysis of hegemonic power is inadequate because it fails to paint the entire picture of American power and influence. Susan Strange's approach and the Gramscian analysis provide a more comprehensive assessment of America's hegemonic power. But if one accepts their conclusion that America remains a hegemon, many questions remain unanswered. In particular, what are the implications of America's relative decline, particularly its diminished influence in the global economy, for the United States as it attempts to define its role in the post-Cold War world? In the first place, it seems likely that economic considerations will impinge upon U.S. autonomy in both its foreign and domestic policy making process. Because American hegemony is, in a sense, subsidized by its wealthy allies, the United States will increasingly have to take into account their reaction to any changes in U.S. policies. For instance, given that the United States relies on capital inflows of $100 billion a year from foreign countries--notably Japan--to finance its external deficits,[1] the U.S. government must insure that its domestic economic policies, *e.g.* interest rate levels, and foreign policies, *e.g.* trade negotiations, do not trigger a reduction in capital inflows. As Fred

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1 Bergsten, 1990. *op. cit.*, p. 97.

Bergsten points out, the United States is "...caught in a scissors movement between increasing dependence on external economic forces and a shrinking capacity to influence those forces."[2]

In addition, it is probable that economic issues will increasingly dominate international relations as security concerns associated with the Cold War recede. Given its relatively vulnerable economy, the U.S. will be in a less favourable position to promote or dictate policies of its liking. The recent collapse of the Uruguay Round of GATT negotiations, where the United States unsuccessfully pulled out all the stops to garner Japanese and European support for liberalisation of agricultural trade, illustrates America's inhibited ability to control outcomes in the global economy. As was pointed out in chapter three, even when the United States was an unrivalled hegemonic power with a booming economy, U.S. hegemony did not always translate into control over outcomes. In light of America's relative decline, it is probable that U.S. control over outcomes will become even more tenuous. As Friedberg points out, "...it seems fair to say that with time the ratio of dictation to genuine negotiation in relations between the United States and its allies has been going steadily downwards."[3] Without a doubt, this trend will continue. The apparent implication is that the United States will increasingly have to forgo unilateral measures in favour of multilateral negotiations to obtain its goals.

Thus, although the U.S. still qualifies as a hegemon, it clearly cannot pursue a 'go-it-alone' policy and hope to realize its objectives. Economic interdependence, the "diffusion of power"[4] in the international order and America's economic decline have eroded the ability of the United States to solve independently the problems which characterize the international order in the 1990's. As Joseph Nye has observed, "The United States will remain the leading power, but being 'Number One' will not be what it used to be."[5] Increasingly, the U.S. will have to pool the resources of its allies with its own. The recent experience of the Gulf War illustrates that somewhat circumscribed nature of American hegemony today. There is little doubt that U.S. leadership was *the* crucial factor in the

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2 *Ibid.*

3 Friedberg, Aaron, 1991. "Is the United States Capable of Acting Strategically?" *The Washington Quarterly* (Winter), p. 11.

4 Guehenno, Jean-Marie, 1990-91. *op. cit.*, p. 102.

5 Nye, 1990c. *op. cit.*, p. 520.

expulsion of Iraqi forces from Kuwait. It is impossible to imagine a successful war being waged against Iraq without the American deployment of troops and America's international political leadership. At the same time, however, it is almost equally impossible to imagine the war begin waged if Saudi Arabia, Kuwait, Germany, Japan and the United Arab Emirates had not helped bankroll the entire operation or if the other permanent members of the Security Council had refused to endorse the military option.[6] The fact that the U.S. was able to convince its allies to finance and politically support the war reflects, to use Nye's term, America's 'soft power.'[7] At, the same time, however, foreign subsidization of the war reveals the economic weaknesses of the United States. It is worth keeping in mind Pfaff's observation that the U.S. appeal for foreign contribution was "..a demand that the United States would never have made in the past, and one that itself amounted to a tacit renunciation of superpower standing. Superpowers pay their own way."[8]

Although the preceding analysis suggests that America remains a hegemon--albeit an enfeebled one--important questions can be raised about, first, how much longer the U.S. will qualify as a hegemon given the pattern of economic decline and, second, whether the United States will continue to shoulder the burdens of hegemonic leadership--even if it possesses the requisite capabilities. The answer to both of these questions can be found by looking at the domestic side of American hegemony. The majority of the literature on American decline and hegemony focuses on such factors as size of GNP, military strength and cultural appeal--in short, the requisite attributes of a hegemon. There seems to be an inherent assumption that the United States will assume the hegemonic mantle as long as it has the necessary power capabilities. To a certain degree, this may be based on the 'rational actor' assumption that permeates the realist (and Strange's) paradigm. Regardless, it is a case of 'putting the cart in front of the horse' because not only does America need to possess the requisite power, it also needs to have the requisite will. That is to say, the American public must want to lead and must be willing to devote their resources and power capabilities to international leadership. Further, the U.S. political

6 For a brief discussion of the difficulties that the U.S would have faced had it attempted a 'go-it-alone' strategy in the Gulf War see *Economist*, 1991. *op. cit.*

7 See Nye, 1990d. *op. cit.*

8 Pfaff, 1990-91. *op. cit.* , p. 37.

structure must prove capable of putting such desire into action. By examining America's domestic capacity and willingness to lead, a more circumspect picture of U.S. hegemony emerges. When one looks inside the 'billiard ball' of the American state, it becomes clear that numerous internal forces are at work which will seriously undermine--if not destroy--the bases of U.S. hegemony.

John Lucaks recently made an observation that is very relevant to the analysis at hand. According to Lucaks, America's decline has not been caused by economic problems; rather:

> ...the principal cause of the American decline is the changed character of the nation that has in turn deeply affected its institutions--educational, legal, commercial, and political institutions whose operations and procedures have become less and less capable of functioning as instruments of proper regulation and reform.[9]

The Economist, admitting to be "unashamedly Americanophile," still worries about "...what might be called a 'decadent puritanism' within America: an odd combination of ducking responsibility and telling everyone else what to do."[10] Finally, Charles Krauthammer warns that, "Americans have become too soft and decadent and unwilling to sacrifice....The way to get to the root of economic problems is better schools, better bridges, better work habits; more taxes, fewer luxuries, and cuts in welfare entitlements."[11] All three of these observations reflect what is, in fact, the leading force behind America's decline and withering hegemony, namely the notion of "domestic understretch."[12] Whereas imperial overstretch posits that America devotes too many resources to promoting overseas interests which the U.S. no longer has the means to promote, domestic understretch suggests that the country is under-extending itself at the

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9 Lucaks, John, 1990. *op. cit.*, p. 45.

10 *Economist*, 1990. "America's decadent puritans." (28 July), p. 11.

11 Krauthammer, Charles, 1990. "The Problem: Understretch at Home." *International Herald Tribune* (29-30 September).

12 This term was first coined by Charles Krauthammer and defined as "...the low tax ideology of the 1980's...and an insatiable American desire for yet higher standards of living without paying the cost." *Ibid.* For the purposes of this subthesis, the expression is used in a broader context to encompass the numerous domestic problems facing the U.S.--many of which stem from or have been exacerbated by the "low tax ideology" referred to by Krauthammer. Included among these problems are America's educational system, unskilled labour force, national infrastructure, poverty, health care, crime and drugs. Alleged shortcomings with the U.S. political system are also viewed as an aspect of domestic understretch.

homefront--that Americans are failing to recognize the gravity of critical domestic shortcomings and institute needed reforms. Huntington uses the term "systemic failures" to describe essentially the same problem:

> These involve the sustained inability of America's society and its economy to function either at the levels of comparable societies or at levels presumed necessary to sustain the American role in the world....[T]heir contributions to American decline presumably stem from their cumulative impact.[13]

Whether one wears the label of declinist or is an avowed revivalist, it is impossible to deny that there are very serious problems associated with America's educational system, inadequately trained workforce, the dilapidated infrastructure, poverty, inaccessible health care, crime, drugs, etc. If left unchecked, these internal shortcomings will seriously undermine U.S. hegemony. Not only will they lead to an erosion in America's structural power, they could also impinge upon the legitimacy of U.S. leadership, in Gramscian terms, as subordinate countries increasingly question the worthiness of the 'American example.' Yet, a leading foreign observer recently warned that, "It is improbable that these trends will be reversed because they are rooted in a fundamental cultural ethos which has come to dominate late 20th-century America: the cult of the immediate."[14]

Jacques Atalli's unfavourable prognosis becomes all the more alarming when one also considers the inability of the American government to redress these internal weaknesses. Although domestic understretch is a broad notion covering many sectors of society,[15] the most critical involves the American political system. After all, whether the country is able to solve its numerous domestic problems will depend largely on the ability of the government to spearhead and coordinate the necessary reforms. Unfortunately, neither the U.S. political structure, nor American politicians, appear capable of providing the requisite leadership. At best, it seems an argument could be made that 'the jury is still

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13 Huntington, 1988-89. *op. cit.*, pp. 84-85.

14 Jacques Atalli quoted in Kennedy, 1990a. *op. cit.*, p. 39.

15 For a general criticism of America's education system, ill-trained workforce and poverty, see Chancellor, 1990. *op. cit.*, pp. 46-55. For a brief comparison of U.S. and Japanese education, see Laxer, James, 1989. *Decline of the Superpowers: Winners and Losers in Today's Global Economy* (New York: Paragon House), pp. 58-59. Related signs of domestic understretch seemingly abound in newspapers and on television. For example, *ABC World News* reported on 10 April that more American black males go to prison than to university; three days later, *SBS World News* reported that among industrialized nations, America had the highest average of children living in poverty in the 1980's (twenty-two percent). Similarly, the statistic that a boy in Harlem has a shorter life expectancy than a boy in Bangladesh made news around the world in 1990.

out' over the government's ability to redress the country's internal shortcomings; but that jury has been out for an awfully long time now. Soon a verdict will have to be rendered. When one looks at the array of serious domestic problems that do not seem to be getting any better, it becomes increasingly clear that the verdict is not going to vindicate the government.

Paul Kennedy cites the following features of the U.S government which undermines the country's ability to deal effectively with its most severe problems:

> ...an electoral system which seems to paralyse foreign policy decision-making every two years,...extraordinary pressures applied by lobbyists, PAC's, and other interest groups,...[and] division of constitutional and decision-making processes....[T]heir cumulative and interacting effect is...to make it much more difficult than otherwie [sic] to carry out needed changes of policy if that seems to hurt special interests and occurs in an election year.[16]

Even Strange and Huntington are critical of constitutional factors and coalition-building politics which impinge upon the government's ability to formulate and implement effective long-term policies.[17] According to Philip Cerny, the U.S. political system is "...an 18th century edifice which has serious difficulties in coming to grips with the challenges of the 20th century."[18] He warns that the system increasingly suffers from "Madisonian entropy"--a "stalemated superstructure" that fosters "dynamic immobilism [and] creative stagnation."[19] Consequently:

> ...the American system of government both exacerbates crises and stalls solutions....[P]olitical energy is...dispersed into a thousand *cul-de-sacs* [and] the system is seen to be inefficient in pursuing coherent and effective policies....Through 'smoke and mirrors', hard choices are avoided. Easy options...dominate the agenda. The results are fine in good times, but have drawbacks when choices are difficult, and when co-ordination and innovation are required.[20]

Compounding such structural impediments to effective, long-term reforms is the "...politics of timidity"[21] practiced by America's elected officials. According to Richard

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16 Kennedy, 1988. *op. cit.*, p. 678.

17 See Strange, 1988c. *op. cit.*, pp. 571-74; 1989. *op. cit.*, pp. 174-75; and Huntington, 1988-89. *op. cit.*, p. 93.

18 Cerny, Philip, 1989. "Political Entropy and American Decline." *Millenium* (Vol. 18, No. 1), p. 47.

19 *Ibid.*, p. 59.

20 *Ibid.*, pp. 48, 50. Cerny's observations apply to both domestic and foreign-policy making. For his discussion of the latter, see pp. 54-59.

21 Moffit, 1987. *op. cit.*, p. 578.

Rosecrance, "Politicians would apparently rather avoid blame for the disasters that may come than to incur the wrath of special interests by actually confronting the problem [of the deficit] through real cuts in spending or major tax hikes."[22] On the same topic, Cerny points out that, "...the Gramm-Rudman process is not an effective policy-*making* process, it is the embodiment of the *abdication* of policy in the face of Madisonian entropy."[23] (emphasis in original) Likewise, the budget fiasco of last year represented:

> ...a real crisis of credibility for [America's] political leadership. The actual numbers being talked about were so small, they only amounted to tinkering--and yet [U.S.] leaders still couldn't agree to them. What prospects are there to take on the really difficult decisions?[24]

This observation naturally leads to another domestic factor which impinges upon America's ability to shoulder its hegemonic duties; namely, the low tax ideology which--along with Atalli's 'cult of the immediate'--has come to dominate the American consciousness. As a democracy, America's elected officials reflect the basic characteristics and priorities of the mass electorate. Consequently, if the American public is in fact infatuated with a low tax ideology and 'cult of the immediate,' then it is unlikely that the President and Congress will be able to obtain the financing needed for hegemonic leadership, nor will the government be as likely to pursue policies which forgo short-term gains. No matter how one looks at it, hegemony does not come cheaply; Americans must be willing to bear the associated costs. Such costs include not only those associated with the neo-realist approach of investing in long-term systemic stability (sometimes at the expense of short-term national consumption), but also costs associated with notions of structural power and Gramscian hegemony,[25] in particular costs inherent to sustaining a dynamic domestic base which reinforces structural preponderance and makes the U.S. a nation worthy of inspiring ideological appeal.

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22 Rosecrance, 1990. *op. cit.*, p. 208.

23 Cerny, 1989. *op. cit.*, p. 59. Joseph Nye appears to share a similar view, remarking that "Politicians regularly use the deficit as an excuse the evade responsibility." Nye, 1990d. *op. cit.* Another anti-declinist has called the government's handling of the budget deficit "...an American tragedy...This is government by abacus. It's all theater, and bad theater at that." Garten, 1987-88. *op. cit.*, p. 164.

24 Frankel, Glenn, 1990. "View from Europe: U.S. Loses Its Gloss." *International Herald Tribune* (8 October), p. 1

25 According to Joseph Nye's analysis, such costs must be met if the United States is to maintain its "co-optive power resources." See Nye, Joseph, 1990b. "The Transformation of Power." *Dialogue* (No. 90, April), pp. 6-7.

The ability of the U.S. government to spearhead America's hegemonic leadership has been further exacerbated by the breakdown of bipartisan, Congressional support for the President's leadership in the foreign policy realm since the late 1960's.[26] Moreover, whatever bipartisan support may have remained will increasingly unravel as containment becomes irrelevant. The recent, heated debate in the U.S. Senate over the use of American forces to evict Iraq from Kuwait--and the very close vote authorizing the President to engage U.S. troops that followed the debate--demonstrates the degree to which the bipartisan consensus over U.S. foreign policy has unravelled. With the Soviet threat largely removed, there is no single foundation for America's foreign policy--unless, of course, one believes that the creation of a 'New World Order' is now the ideological pillar around which U.S. lawmakers will gather.[27] As one scholar recently observed:

> [W]hat is missing is the common doctrine and, indeed, the common enemy--a huge 'loss' for a nation that has so often treated world politics as crusades, and justified its involvement by the need to save humanity from a towering bully. This loss has meant the splintering of strategy and the prevalence of uncertainty.[28]

Without the menace of an expansionist Soviet Union, fewer Americans and fewer political leaders will see a need for the U.S. to lead the world. Calls for America to become a 'normal country' again and for the U.S. to 'come home' reflect the growing rejection of America's role as the international leader of the free world[29]--or, to use a more relevant term, the world's hegemon. Perhaps it is worth keeping in mind that U.S. foreign policy has historically oscillated between isolationism and internationalism.

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26 For a general discussion of the break-down of bipartisan and public support for U.S. foreign policy, see Quester, George H., 1982. *American Foreign Policy: The Lost Consensus* (New York: Praeger) For a more recent critical analysis of what Aaron Friedberg calls the "changed domestic system" which undermines the U.S. government's ability to execute effectively a coherent foreign policy see Friedberg, Aaron L., 1991. *op. cit.*, pp. 12-21.

27 For a discussion of the "conceptual vacuum" that presently characterises American foreign policy-making, see Sorensen, Theodore, C., "Rethinking National Security." *Foreign Affairs* (Vol. 69, No. 3), pp. 1-18.

28 Hoffman, 1990-91a. *op. cit.*, p. 17. Charles William Maynes makes the similar point that, "As the Cold War ends,...American foreign policy will lose more than its enemy. It will lose the sextant by which the ship of state has been guided since 1945." Maynes, Charles William, 1990. "America without the Cold War." *Foreign Policy* (No. 78, Spring), p. 5.

29 See, *e.g.* Buchanan, Patrick J., 1990. "America's Purpose Now--America First--and Second, and Third." *The National Interest* (No. 19, Spring), pp. 77-82; Kirkpatrick, Jeane J., 1990. "America's Purpose Now--A Normal Country for a Normal Time." *The National Interest* (No. 21, Fall), pp. 40-44; and Ravenal, 1990-91. *op. cit.*, pp. 3-19.

Stanley Hoffman recently highlighted "...the importance of domestic factors in understanding foreign policy, particularly the need to look at the configuration of internal political forces and the relations between what is often called 'civil society' and the state."[30] Without a doubt, this observation applies equally to any analysis of American hegemony. Clearly, U.S. hegemony cannot be extrapolated solely from U.S. power capabilities--whether they be measured in the neo-realist terms of control over material resources, Strange's notion of structural power or Gramscian ideas of cultural hegemony. Without a doubt, America's ability to lead, as a hegemon presumably should, is a function of such power capacities. Yet, the three approaches outlined in this subthesis do not take the assessment of U.S. hegemony far enough because they fail to delve deeply into the domestic component of American hegemony, in particular the capacity and willingness of the American public and body politic to apply U.S. power towards hegemonic ends. According to Hedley Bull, "The problem America presents for [the world] is not...the relative decline of its power, but the decay of its capacity for sound judgment and leadership."[31] As U.S. policy makers attempt to define America's role in the post-Cold War and post-Gulf War world, they must look not only at America's apparent strengths, but also at the country's critical domestic problems and the willingness of the public to support and finance America's continuing role as the world's hegemon. In doing so, they will set a fine example for the scholars involved in the debate on American decline and hegemony to follow.

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30 Hoffman, 1990-91b. "The Case for Leadership." *Foreign Policy* (No. 81, Winter), p. 25.

31 Quoted in Cox, 1989. *op. cit.*, p. 45.

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