

## Contemporary America: Power, Dependency, and Globalization since 1980

**Review Number:**

1248

**Publish date:**

Thursday, 10 May, 2012

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**ISBN:**

9781405136402

**Date of Publication:**

2011

**Price:**

£62.50

**Pages:**

326pp.

**Publisher:**

Wiley-Blackwell

**Place of Publication:**

London

**Reviewer:**

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The beginning of the 21st century has, perhaps, been one of the most unsettling in the history of the United States of America. When William Jefferson Clinton left office as president in 2001 he passed on to George W. Bush a country at relative peace with the world, with a foreign policy based on co-operation and multilateralism, whilst domestically the federal budget was in surplus for the first time since 1969. America appeared to have entered what Charles Krauthammer called America's 'unipolar moment', standing astride the world in the wake of its Cold War victory, dominating economically, politically and culturally as an apparently benign hegemon. It was a period when America's soft power, as defined by Joseph Nye, was in the ascendancy, and most Americans, particularly in the middle, prospered.

This would change dramatically during the Bush presidency. The dramatic events of 9/11 shattered that moment; Americans suddenly felt vulnerable to attack on their home soil. The administration responded by launching a prolonged war against terror, which included invading Iraq and Afghanistan. After the initial successes, criticisms of the Bush Doctrine would mount. Amongst these would be Joseph Nye, who would argue that the Administration's over-reliance on hard power had resulted in a dramatic decline in America's soft power.

As Americans began to question their country's role in the world (1), the economy would collapse at home, partly caused by the expense of America's overseas commitments, but more because of the deregulation of markets and the largest tax cuts in history, enacted by Bush and weighted to benefit the rich to the detriment of the poor. By the time Bush left office, the federal budget had plummeted to deficit levels unseen in

America's history, the gap between rich and poor had widened significantly, and the country's international standing had fallen such that commentators began to speak of a country in decline.

This feeling reflected a National Intelligence Council report issued in 2004 which described a future in which America would no longer be the dominant power in the world, but rather a strong power amongst many, with a shift in global power and influence away from the United States and the West towards the Asia-Pacific region.<sup>(2)</sup> This would be a theme picked up by a wide range of commentators, most notably Fareed Zakaria, Niall Ferguson and Nye.<sup>(3)</sup>

Many analysts suggest that China poses the most significant challenge to the USA. It has an economy that has been growing at an average of 9 to 10 per cent for the last three decades, is the world's leading exporter, its biggest manufacturer, and also holds \$2.5 trillion of foreign reserves. Not only is this threatening in economic terms, it is also creating concerns in other ways for American foreign policy makers, not least because China and other emerging powers often have foreign policy preferences at odds with the USA. Brazil and India have sided with China on climate change talks, whilst Turkey and Brazil voted against America on sanctions against Iran. Furthermore, Fukuyama's rush to judgement that liberal capitalism had triumphed at the end of the Cold War seems even less likely now, as these emerging powers have political, economic and cultural views which are not reflected in the USA. China, for example, does not consider the promotion of democracy to be a necessary part of its economic or foreign policy agenda.

The question Heale attempts to answer is: why has this happened? How has the United States of America – perhaps the most powerful country in history – found itself in a period of apparent decline? The answers he gives in this wonderfully comprehensive text are both illuminating and challenging.

He begins by exploring the notion that the end of the Second World War ushered in a so-called 'golden age' of economic prosperity in which the majority of America's citizens enjoyed the benefits of economic growth, full employment, and a society structured on consumption. These benefits spread across a broad range of socio-economic groups, allowing even blue-collar workers to aspire to owning a house, a car, and funding children through college.

This growth, however, hid a structural problem that existed in the American economy, which was that it was essentially insular in nature. Even in 1970, exports accounted for only 8 per cent of GDP. It was effectively a self-sufficient economy. By 2000, exports would make up over 30 per cent of GDP.

Traditional arguments suggest that America's post-war long boom was shattered by the Great Stagflation of the 1970s, in part fuelled by excessive overseas commitments and oil price hikes that would produce spiralling inflation at a time of high unemployment. In turn this would create the economic malaise of the 1970s typified by the much-maligned presidency of Jimmy Carter, and the conservative backlash of the Reagan years.

Heale instead offers a story of a country out of step with the forces of globalisation, struggling to keep up with the increasing complexities and challenges of a rapidly changing world. Central to this is the argument that since the 1970s Americans themselves have struggled to come to terms with the fact that they are no longer masters of their own destiny, Heale suggesting that the USA as a nation has struggled to move from being largely self-sufficient economically, to one which has been subject to intense foreign competition, both economically and politically.

Heale sees an early example of this in the election of Ronald Reagan in 1980. Americans, he suggests, turned to Reagan 'no so much in a rejection of the 1960s as in an attempt to restore the feeling of empowerment that the 1960s had offered' (p. 13), due to 'an unhappy coincidence of a number of domestic and foreign crises [rather] than to a resurgent conservatism' (p. 21). There was no conservative majority, but rather a hankering for security and a sense of purpose.

By skilfully combining political and socio-economic history, Heale highlights how since the Reagan years

America has become an increasingly fragmented society, with the divide between rich and poor widening. This, in turn has produced an increasingly polarised electorate, with battle lines drawn between Republican and Democrat, conservative and liberal. In economic terms, wages have stagnated for many, millions of blue-collar jobs have moved abroad (especially in the traditional heavy industries upon which American prosperity was built), whilst tax cuts have been increasingly tailored to the demands of the wealthy. Simultaneously, fault lines have opened over the revival of large-scale immigration which has radically altered the demographic mix of America, bringing, in turn, a diverse series of challenges.

Reagan would claim in his autobiography that his greatest achievements were the tax cuts of 1981 and his Tax Reform Act of 1986 which would see the top marginal rate drop from 70 per cent to 28 per cent. But, as Heale notes, the trickle-down that he promised did not happen. Tax cuts did not produce increased productivity, as supply-siders promised, nor did it boost economic growth to increase tax revenues to reduce the budget deficit. Reagan may have promised to balance the budget, but, in fact, during his presidency America moved from being the world's largest creditor nation to be the world's largest debtor, due to a combination of tax cuts and increased defence spending. All in the space of four years. This would see the development of the 'twin deficit' – the foreign deficit caused by America importing more than it exported, and the federal budget deficit, where expenditures began to outstrip revenues. In turn, this would rapidly increase America's reliance on overseas money, as the government increasingly borrowed from foreign investors.

It is during the Reagan years that we see America attempting to keep up with the challenges globalisation brought whilst failing to understand the dangers. Capital was effectively moved out of manufacturing into service industries and finance with little understanding of the long-term difficulties that this might pose to the overall economy. His excellent analysis of the Reagan years skilfully demonstrates Heale's belief that America's contemporary history has been shaped by the country's interaction and relationships with the outside world.

Indeed, Heale suggests that the first president to effectively harness the opportunities, and difficulties, globalisation presented was Bill Clinton, who pursued an agenda of democratisation abroad to help create markets for American goods, whilst promoting highly-skilled, highly-paid jobs at home. In doing so, Clinton sought to move away from traditional politics, arguing for a more progressive 'third way'. This would involve increased fiscal responsibility, including welfare reform and a failed attempt at healthcare reform. Heale suggests that this progressive agenda was only partially successful because, as Robert Reich observed, the greatest weakness of Clinton's 'third way' was that it had 'no preexisting constituencies ... no grass roots'. Or, as Heale more frustratedly comments, 'A highly polarized political system was not conducive to constructive outcomes' (p. 239). It is perhaps this more than any other observation that highlights the difficulties the American political system faces today.

This polarisation was evident in the initial days of the presidency of George W. Bush, not least because of the controversy surrounding his election in 2000 and his rebranding of Republican policies as 'compassionate conservatism'. The attacks of 9/11 did create a brief unity behind the war on terror, but this would evaporate as events unfolded in Afghanistan and Iraq. In economic terms, Bush would pass the third-largest tax cut in history (in 2003) whilst 'hollowing out' federal government by increasingly contracting out many of its duties to private companies – the latter begun by Clinton but more aggressively pursued by the Bush administration. As Heale observes, Republican attempts to tackle big government and to carry on the agenda Reagan had sought to pursue, seemed to rely on nothing more than handing out federal money to private businesses.

In a sense, Heale suggests little has changed in the last 30 years. A March 2010 Gallup poll found 79 per cent of Americans were dissatisfied with 'the way things are going', a figure which was similar to the mid-1970s and the early 1990s. The Pew Research Centre also reported that the public's trust in government was 'among the lowest measures in half a century', reaching similar levels to those found in the days of Watergate. In addition, approval ratings for Congress have regularly bumped below 20 per cent during the last five years. Globalisation has undoubtedly been a factor in this, highlighting the limitations of a political

system unable to control its borders, struggling to protect its citizens from foreign competition, and polarised in the glare of the 24-hour news cycle.

What does this mean for the future? Heale concludes that ‘power tends to follow money’ and the American model may no longer be as attractive to others because leadership ‘seeps away when the wealth goes’. But he is unsure whether America is facing an ‘end of influence’ (p. 262).

In fact, as Fareed Zakaria has argued, the decline may be relative, and may not necessarily be about the decline of the United States, and the Western powers, but about the rise of everyone else. In this new world, he suggests, it will be difficult for the West or the United States to assert its preponderance, and it may not even be desirable given the experience of the Bush Administration. Optimistically, John Ikenberry suggests that ‘In this new age of international order, the United States will not be able to rule. But it can still lead’.(4)

What is clear is that whilst the 20th century lived up to Henry Luce’s claim in 1941 that it would be ‘America’s century’, the 21st is up for grabs.

## Notes

1. J. Nye, ‘The future of American power: dominance and decline in perspective’, *Foreign Affairs*, 89, 6 (November/December 2010), 12.[Back to \(1\)](#)
2. National Intelligence Council, ‘Mapping the global future’, December 2004, <<http://www.foia.cia.gov/2020/2020/pdf> [2]> [accessed 1 June 2011]; and National Intelligence Council, ‘Global trends 2025: a world transformed’, November 2008 <[http://www.dni.gov/nic/PDF\\_2025/\\_2025\\_Global\\_Trends\\_Final\\_Report.pdf](http://www.dni.gov/nic/PDF_2025/_2025_Global_Trends_Final_Report.pdf) [3]> [accessed 1 June 2011].[Back to \(2\)](#)
3. N. Ferguson, *Civilization: The West and the Rest* (London, 2011); Nye, ‘The future of American power’; and F. Zakaria, *The Post-America World* (New York, NY, 2009).[Back to \(3\)](#)
4. J. Ikenberry, ‘The future of the liberal world order: internationalism after America’, *Foreign Affairs*, 90, 3 (May/June 2011), 56–68.[Back to \(4\)](#)

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[1] <http://www.history.ac.uk/reviews/item/16368>

[2] <http://www.foia.cia.gov/2020/2020/pdf>

[3] [http://www.dni.gov/nic/PDF\\_2025/\\_2025\\_Global\\_Trends\\_Final\\_Report.pdf](http://www.dni.gov/nic/PDF_2025/_2025_Global_Trends_Final_Report.pdf)