

The Road to Recovery: How Once Great Powers Became Great Again

In 2014, a quiet revolution shook international politics. That year, the World Bank reported that U.S. GDP in purchasing power parity (PPP) terms slipped to second place for the first time since the 1870s.¹ From 2014 to 2022, the International Monetary Fund estimates that China's share of global PPP GDP will rise from 16 percent to more than 20 percent, while the U.S. share will fall from 16 percent to 14 percent.² And that is not all. In 2013, China surpassed the United States as the world's largest trading nation, which Beijing hailed as "a landmark milestone."³ China has also overtaken the United States in total foreign investment, renewable energy production, number of Internet users, and back-end research and development (R&D) spending.⁴

All true, say skeptics, but American decline is a myth.⁵ The United States still leads the world when GDP is measured in market exchange rates (MER), and spends much more than China on what really matters: defense. But these are quibbles that do not change the big picture. Clinging to the dwindling measures that favor the United States overlooks the increasing number that do not, and gives decision makers a false sense of security. Forecasts suggest that China will have the world's largest economy in MER terms in about a decade.⁶ Economic heft can be converted rapidly to military might, and even a much poorer China was able to fight the United States to a draw in Korea in the 1950s. This is not a time for complacency; Washington's advantages are eroding and will take time to restore.

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How can the United States regain its footing? History suggests there are promising paths to arresting and reversing decline. We have spent the last decade studying transitions in which a great power loses its economic rank to another, and found that over the last century and a half, declining great powers recover their former position around 40 percent of the time.⁷ As a raw statistic, that sounds like fair odds, but the cases behind the statistic reveal riskier realities. Managing relative decline requires policymakers to make difficult decisions about foreign policy commitments, military investments, and domestic reforms. To date, however, American policy has not risen to the challenge. Managing a more multipolar world will require more than a subtle “rebalance” of military forces to Asia or vague promises to “Make America Great Again.” It requires a fundamental rethinking of American power and priorities.

History suggests there are promising paths to arresting and reversing decline

America Second?

Over the past decade, U.S. policymakers have acknowledged that the distribution of power is shifting east. President Barack Obama remarked, “In terms of traditional great-state relations, I do believe that the relationship between the United States and China is going to be the most critical.

If we get that right and China continues on a peaceful rise, then we have a partner that is growing in capability and sharing with us the burdens and responsibilities of maintaining an international order.” Privately, Secretary of State Hillary Clinton stated, “I don’t want my grandchildren to live in a world dominated by the Chinese.”⁸

President Donald Trump, too, has been vocal in his concerns about the rise of China: “China has got unbelievable ambitions. China feels very invincible. We have rebuilt China. They have drained so much money out of our country.”⁹ The Trump administration’s National Security Strategy echoes this sentiment, bluntly declaring “for decades, U.S. policy was rooted in the belief that support for China’s rise and for its integration into the postwar international order would liberalize China. Contrary to our hopes, China expanded its power at the expense of the sovereignty of others.”¹⁰

Yet successive administrations have struggled to match their rhetoric to reality. During the Obama administration, the primary response to the shift in the global balance of power was the “pivot”—later “rebalance”—to Asia.¹¹ This strategy consisted of continued diplomacy to engage China on areas of mutual interest such as climate change and nonproliferation; a modest increase in U.S. military deployments to the Pacific theater; and intensified efforts to build ties with regional

partners using multilateral economic agreements such as the Trans Pacific Partnership (TPP). The intention was to further integrate China into the liberal order and discourage revisionist behavior.

The pivot was a step in the right direction, but it was not a roadmap. The Obama administration demonstrated that the Asia Pacific region is a top priority and would receive the lion's share of defense resources. But it was never clear whether the pivot was designed primarily to engage China on areas of common economic interest or to deter it from expanding its military influence. The result was that the pivot caused temporary disquiet among many policymakers in Beijing, without altering long-term incentives. Administration efforts were also derailed by events, as Russian revisionism and the emergence of the Islamic State of Iraq and al-Sham (ISIS) pulled attention and resources away from Asia and back to Europe and the Middle East. More broadly, there was no major push for domestic reforms that would make the United States more competitive in the long term. The pivot ended up being a minor response to a major shift in conditions.

The Trump administration's approach—"peace through strength"—is similar to the pivot in spirit but quite different in substance.¹² Domestically, it involves reviving manufacturing, inhibiting immigration, and cutting domestic programs. Internationally, it entails escalating tensions with China, North Korea, and Iran, mixed messages to U.S. allies and trading partners, and lavish increases in military spending. The animating idea appears to be that cosmopolitan elites had hijacked the government and callously ignored ordinary

Americans, burdened by crime, overregulation, and economic stagnation. With a leader who fights for regular citizens against vested interests, free-loading allies, and exploitative trading partners, the United States will be buoyed by higher growth, more jobs, and better security at home and abroad.

Despite bringing an overdue shake-up to the foreign policy establishment, the Trump approach is a step backward because it looks backward. Trump's plans appear to be an attempt to deal with a rapidly changing world by living in the past rather than learning from it. Instead of bringing the country together to confront a mounting challenge, the president's governing style has driven citizens farther apart, and he has attacked the credibility of his own Justice Department and intelligence community. Instead of bipartisan infrastructure spending or vast investments in innovation, the Trump administration bet heavily on manufacturing and subsidizing some of those harmed by its own tariffs. No state ever became great again through culture wars and trade wars.

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The administration's defenders pin their hopes on elevated military spending to bolster American strength. But this is an unsustainable expedient. The United States already leads the world in defense spending by a wide margin, and sums spent on the military come with significant domestic opportunity costs. Under the Bipartisan Budget Act passed in February, caps on defense spending are slated to increase by \$165 billion over the next two years, approximately the size of China's annual defense budget.¹³ If Congress appropriates these full amounts, Congressional Budget Office figures suggest the federal deficit could surpass \$1.2 trillion next year and debt-to-GDP ratio could balloon to the highest level since 1950.¹⁴ Former Chairman of the Joint Chiefs of Staff Admiral Michael Mullen famously stated as early as 2012 that "the most significant threat to our national security is our debt,"¹⁵ while current Secretary of Defense James Mattis has testified that "we cannot defend America and help others if our nation is not both strong and solvent."¹⁶ As borrowing costs increase, it will be more difficult to weather financial crises, maintain growth rates, invest in promising technologies, and sustain a world-beating military.

Another unintended consequence of higher defense budgets has been procrastination. Faced with the options of improving readiness, expanding force structure, or investing in modernization—what former defense official Kathleen Hicks calls "the iron triangle of painful tradeoffs"¹⁷—the Trump administration has mortgaged the future by ordering a bit more of everything without a coherent plan. Christian Brose, staff director of the Senate Armed Services Committee, calculates that only 0.006 percent of the Pentagon's \$74 billion request for new defense spending in fiscal year 2019 was focused on science and technology.¹⁸ Simply spending more on additional troops and the same weapons platforms without stressing accountability, innovation, and efficiency is not likely to increase American security nor improve the country's growth trajectory.

Both Obama and Trump doubled down on familiar policies, but familiar policies do not solve unfamiliar circumstances. Tough talk and freedom of navigation patrols are not going to cow a continental power like China, nor will mercurial rhetoric convince allies and partners to shoulder greater burdens or defer to American leadership. The historical record of decline favors bolder actions.

Lessons of Great Power Recovery

We have examined 16 cases since 1870 of great power decline.¹⁹ These are cases where a great power lost its relative rank in the pecking order for at least five years. We go back to 1870 because that is when reliable data becomes available for all the great powers. Our cases span both the nuclear and pre-nuclear period, and only about half are democracies. For these reasons, not every case is equally comparable

to the United States, but collectively they can tell us a great deal about what kinds of reforms tend to work, and what kinds do not. Three lessons stand out.

First, declining states that wish to recover must *reevaluate their foreign commitments*. Most importantly, states should keep their ambitions tethered to their resources. A change in the great power ranks means the playing field has fundamentally changed. Naturally, there is a temptation to incline toward inertia, but decline renders business as usual obsolete. States that live in the past create a broad, brittle perimeter which tempts enemies everywhere. They overspend on the military and dampen economic growth. They fritter away resources on luxuries and neglect necessities. Eventually, they lose regional competitions because capabilities and attention are spread too thin. There is also a temptation to use offense as the best defense, and expand foreign policy aims. Yet this only multiplies burdens and risks as relative resources grow leaner. It cannot be overemphasized: no modern power ever overcame decline through preventive war, an expansionist foreign policy, or sticking to the status quo.

A better approach is retrenchment, that is, a reduction in the overall foreign policy costs. States should do with deft finesse what cannot be done with brute force, and temporarily concede what cannot be perpetually maintained. This trades instability in less essential regions for bristling defenses in vital areas. Wherever possible, responsibility should be shifted to capable allies, which allows declining powers to reallocate resources toward more productive pursuits. Wherever necessary, declining powers should reach out to opponents and eliminate potential flashpoints over secondary issues. Great powers have often been sucked into peripheral quagmires, eating up precious political capital, economic resources, and lives. Strategic solvency is key to recovery.

In the decade after the South African War of 1899-1902, Great Britain was a paragon of shifting commitments.²⁰ There was widespread recognition that British resources were overtaxed and its military forces overstretched. Britain's response was to radically rethink its global posture: trimming colonial garrisons, shuttering marginal naval stations, and concentrating capital ships closer to home. Britain also increasingly shared burdens with its colonies while transferring responsibilities for regional security to new partners, such as Japan. In addition, policymakers removed dangerous flashpoints through a series of agreements with France and Russia. The goal, according to the Permanent Undersecretary to the Foreign Office, was to "limit our responsibilities ... while maintaining our engagements."²¹ These moves granted Britain stout defenses, strategic flexibility, and the resources to win a naval arms race and meet German aggression.

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The second lesson is that declining states must *rethink their military capabilities*. Trying to outcompete rising powers with greater incomes is a losing game. It is wiser to prioritize long-term investments over short-term fixes. One way to do this is to cut defense expenditures to prepare for a long race without hurting the civilian economy. Here, the British Navy set a sterling example. Under first sea lord John “Jacky” Fisher, naval estimates during the first three years of the Liberal ministry averaged 15 percent below the high point of 1904-1905.²² This put Britain in a good financial position to match German construction as the naval race heated up after 1908. Another way to do this is to place greater emphasis on military reserves rather than a large standing army. Again, the British example is educational. Repeatedly rebuffing efforts to increase the standing army, the government resolved to have a highly capable expeditionary force backed by enormous reserves that could be ramped up and deployed quickly. This not only conserved resources, it also improved mobility and used defense depth efficiently. Yet another way is to pursue innovative weapons technologies rather than clinging to legacy ones. The British manifested this tactic in their embrace of revolutionary battleship technology, the *Dreadnought*.

Rethinking military capabilities also requires reorganizing bureaucracies. A daunting task at any point in time, history shows that in times of decline it is doable, and a rising outside threat rouses all but the most indolent to action. Institutional reforms designed to streamline administration, improve command, and foster coordination among military branches are indispensable elements in dealing with decline. When possible, declining powers must slow or decrease military spending so they can reallocate savings into more productive pursuits. A great power with a healthy, growing economy can quickly convert wealth into many kinds of influence, but without a healthy, growing economy, great powers face much bleaker prospects.

France’s military reforms following the 1870-1871 Franco-Prussian War provide a compelling example of these kinds of policies.²³ Defeat revealed all manner of problems related to organization, logistics, officer quality, and command in the French army. As one prominent postwar commission concluded, “one cannot improvise either generals or armies.”²⁴ In 1872, the government passed a law for universal conscription, and reconfigured how the military was organized. In 1870, there were 404,000 regulars in the French army with 354,000 soldiers in reserve. Fifteen years later, there were 525,000 regulars and nearly 2 million in the reserves.²⁵ Peacetime command structures were set up to accelerate mobilization; French formations were reorganized on the German model; staff officers were required to receive formal training at the state war academy; and supply services were brought under the direct command of field officers to boost effectiveness. As a land power, the French navy rightly received less attention, but it, too, used faster ships and faster mobilization to make up for inferior numbers

and finances. “In the two decades following the Franco-Prussian War,” historian Douglas Porch concludes, “France had undergone a military renaissance.”²⁶

The final lesson is that the road to recovery leads through *major domestic reforms* to improve international competitiveness. Historically, such reforms have included policies designed to restore financial solvency, simplify tax codes, streamline government bureaucracies, and boost investment in domestic infrastructure. These efforts are bolstered by impartial audits, efforts to eliminate duplication, and a willingness to take on vested interests. In the end, great powers cannot stay great without sustained growth rates. The wisest foreign commitments and military capabilities will amount to little if the economic foundations on which they rest are cracking or shrinking.

The response of Imperial Russia to its ignominious performance during the 1877 Russo-Turkish War highlights the importance of domestic reforms.²⁷ Combined with other humiliations in the Balkans, this war reinforced Russia’s troubled financial situation, outmoded economy, and unprepared military. As the foreign minister Alexander Gorchakov explained to the tsar, Russia needed “to focus persistently on the realization of internal development . . . the entire foreign policy will have to be subordinated to this main task.”²⁸ A series of reformist finance ministers reallocated resources away from military pursuits and toward domestic development, revamped the tax code, pursued foreign investors, and expanded the rail network (between 1870 and 1890, Russian railroads nearly tripled in length).²⁹ The economic rewards were handsome. Between 1890 and 1900, Russia’s industrial output doubled and its production of iron, steel, crude oil, and coal tripled; tax revenues doubled while other state revenues grew by a factor of six.³⁰

When Reform Fails

Although there are powerful incentives for declining powers to revive national competitiveness, not all have done so. Often this is outside the hands of policy-makers. Even with the benefit of hindsight, it is not clear what French leaders could have done to outperform Germany in the long run or what policies Britain could have employed to stay ahead of the United States. Yet sometimes, the same state regains its rank only to lose it again, suggesting that resurrection was feasible if not for poor decisions. Two factors tend to impede reform efforts—parochialism and personalities.

In some cases, interest groups or entrenched bureaucracies can mobilize to block reforms for parochial reasons. Reform can also get caught up in broader, more contentious questions about national identity or the distribution of economic gains. In these cases, domestic consensus flags, and reforms fail due to indecision, incrementalism, and inconsistency. Consider the biggest mistakes in French foreign policy in the late eighteenth century. In the 1880s, Prime Minister Jules Ferry proved a brief exception to French retrenchment when he pursued cheap colonial

victories for status. “To have influence without acting,” he claimed, “is to abdicate, and in shorter time than you can believe it is to descend from the first rank to the third or fourth.”³¹ Yet Ferry’s annexation of Tunisia soured relations with Italy, and his

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incursions in Southeast Asia led to a war with China in 1884, which led to him being thrown from office—and very nearly into the Seine—never to return. Domestic fissures likewise conspired to undo French military reforms in the wake of the contentious Dreyfus affair of the late 1890s. Politicians clamped down on a military that looked insulated and unrepresentative, and as a result, training time, educational standards, pay, and pensions fell, and merit-based

promotion was made a mockery by partisan interference. When the 1905 Moroccan crisis broke out, French military leaders found the army unready for war.

In other cases, individual leaders move to block reforms, because they fear the erosion of popularity that might accompany them. Effective reforms require honest accounting and acknowledging past errors. Leaders that fear public scrutiny or benefit personally from the status quo can intervene to deflect criticism and defer hard choices. The case of Imperial Russia from 1902-1914 offers a cautionary case of these dynamics.³² While previous tsars had been more willing to defer to their advisers, Nicholas II insisted on being in the middle of every issue and got mired in minutiae. He resented any encroachment on his royal prerogatives and held to a simplistic view that “concessions always lead to concessions.”³³ Senior advisers tried to steer him in the right direction, but Nicholas was impervious to harsh news and cashiered talented subordinates because he could not tolerate being outshone. He empowered cliques of unsavory businessmen and retired military officers, who gratified his ego and showered him with bad advice. Preserving traditional appearances at home was more important than pursuing prudent policies abroad.

The results were disastrous. In 1904, the tsar bumbled into a war with Japan that he thought impossible, estranging potential allies and undoing fiscal gains in the process. He then stifled internal studies on why the country had lost the war, fearing they would unearth unflattering facts about his leadership, and stymied domestic reform. This exacerbated tensions between rulers and the ruled, inflaming the fissures that would explode spectacularly during the First World War. As the threat from Germany grew, he ordered a sizable navy with top-of-the-line capital ships but did not allocate sufficient funds for crews. This not only diverted sorely needed funds from the army, it also failed to provide adequate training to make the ships effective. In 1913, he authorized a massive increase in defense spending, but blocked efforts to reform the officer corps and refused to arbitrate between factions advocating incompatible war plans. As a result, at the start of

war, Russia launched simultaneous offensives against both Germany and Austria-Hungary, which resulted in failure on both fronts.³⁴

One could object that democratic institutions will rein in leaders, and the United States should not be prone to such dysfunction. Yet our research found no systemic difference between democracies and non-democracies in how they respond to decline. Democratic institutions do not insulate states from the challenges of decline, nor do they predispose success. Much depends on the capacity of leaders to recognize the reality of decline, and build domestic consensus to thwart it.

Getting Realistic about America's Role

There are a number of implications the United States can draw from how great powers have dealt with decline. Most broadly, past experience suggests that ignoring decline or postponing reform leads to trouble. Great powers confronting rising rivals face a dilemma: if they act to stanch decline, the domestic pushback will be fierce; but if they fail to stanch decline, the international pushback will be fiercer. Delay only sharpens the horns of this dilemma.

To begin with, the historical record suggests that Washington should reevaluate its global military commitments. This requires drawing clearer priorities between more and less essential regions, between more and less attainable goals, and between more and less effective policy instruments. One of the limitations of current debates on the “rise of China” is that the issue is almost always framed as either a bilateral issue of Sino-American relations or a regional one relevant primarily to East Asia.³⁵ But the rise of new economic and strategic competitors is not confined to one region, and the policy choices in one area inevitably have global consequences. The time, energy, and resources available to support American foreign policy are finite and must be apportioned with care. Without clear priorities, the United States will attempt too much, and at exorbitant cost, achieve too little.

Reasonable people can disagree on what regions, goals, and tools the United States should emphasize, but to further the debate we suggest the following: First, the United States should double down on rebalancing to Asia while limiting its involvements elsewhere. Small groups of special operations forces and advisers can help support partners in the Middle East, but there is little the U.S. military can do to impose peace in complex, multisided civil wars. Creeping commitments on the ground in Syria, Iraq, and Afghanistan should be reversed. Similarly, joint exercises and training can help maintain ties with European allies, but deterring Russia does not require large-scale deployments, even on a rotational basis. Encouraging European collective defense and responding to Russian cyber-provocations should be the priority, rather than expensive and unnecessary preparations to fight a major conventional war along Cold War lines.³⁶

Second, the primary goal of U.S. foreign policy should be to deter aggression against the U.S. homeland and its great power allies. This is best accomplished by burden sharing among allies in Europe and Asia while investing in defensive capabilities that deny aggressors their objectives if they choose to use force. The use of economic pressure and diplomacy to discourage nuclear proliferation should be continued, but destabilizing efforts to use military instruments, whether preventive strikes or missile defenses, to intimidate potential proliferators should be shunned. Similarly, border security, intelligence sharing, and law enforcement techniques should be employed to detect and prevent terrorist plots, but risky counterterrorism tools, such as military raids or drone strikes, should be employed only in very rare cases.³⁷ The military should help relief operations in the wake of natural disasters, but military intervention to end humanitarian crises, promote democracy, or engineer regime change should be avoided in almost all cases.³⁸

The U.S. should place a greater emphasis on civilian—rather than military—instruments.

Third, the United States should rebalance its policy investments to place a greater emphasis on civilian—rather than military—instruments. The imbalance in the tools of American foreign policy has been a longstanding problem, but is expected to widen, with the proposed budget for the State Department and the United States Agency for International Development (USAID) falling from \$56 billion in FY2017 to \$39 billion in FY2019.³⁹

Yet funds to support economic development, public diplomacy, cultural exchange, and democracy assistance are relatively inexpensive ways to bolster ties between the United States and its partners. This is not just a matter of throwing more money at civilian agencies. Greater efforts need to be made to integrate nonmilitary instruments into national strategy, to enhance coordination among relevant bureaucracies, and to improve the efficiency of individual programs. The United States can also take advantage of its immense domestic market and hospitable business environment to deepen economic ties, including multilateral trade agreements and bilateral investment treaties, with its top trading partners. More than just fostering good opinions of the United States overseas, these kinds of policies can create domestic constituencies in partner countries invested in upholding the status quo and strengthening cooperation with the United States.⁴⁰

Some may say that the world is different now and retrenchment is harder than it used to be. Global terrorist networks and contagious financial systems make it impossible for the United States to retract from the Middle East or Afghanistan. Yet this trivializes the dangers past great powers confronted, as well as the advantages the United States now possesses. In the past, great powers were often in close proximity to each other at a time when conquest paid. Today, the United States

has the benefits of distance, while the combination of nuclear weapons, trade interdependence, and international institutions help tamp down conflict as never before. Violent conflicts are killing far fewer people, and the United States' economic dependence on politically unstable countries is minimal. The United States has more flexibility to tailor its grand strategy across different regions than its historical great power counterparts.

Adapting the U.S. Military for a Multipolar World

As part of a thorough reconsideration of its global commitments, the United States should also reorient its military to meet emerging challenges. Here, American military planners must view the world with clear eyes: given its relative decline, the United States should focus on its long-term economic growth. Combined with the fact that weapons systems and personnel are becoming increasingly expensive, the United States will have to do more with less in the coming decades. Adding to this challenge is the fact that revisionist states and rising powers possess fewer global commitments and often seek to challenge the status quo in their immediate neighborhoods. They can take advantage of geography and relatively cheap “anti-access/area-denial” (A2/AD) capabilities to complicate the ability of U.S. forces to respond quickly and effectively to potential provocations.⁴¹ With more effective missiles and mines, it will be easier for the United States' adversaries to threaten U.S. military assets.

Over the past decade, the Pentagon sought to address these challenges through the development of new operational concepts, such as AirSea Battle. The goal was to identify ways to nullify an adversary's A2/AD capabilities through offensive strikes, thereby retaining the ability of U.S. forces to intervene in a timely fashion. We think these efforts are misguided. Not only are these concepts potentially destabilizing, it is also far from clear that the U.S. military can deploy the capabilities required for such operations in sufficient numbers, even in an era of bigger budgets. Here we agree with defense analysts Eric Heginbotham and Jacob Heim that the U.S. military should switch to an “active denial strategy,” which seeks to integrate regional allies into a flexible and resilient defensive network that limits potential rivals, such as China, the opportunity to profit from aggression.⁴² Much like retrenching powers of the past, such an approach would prioritize the defense of core allies rather than attempt to compete for military supremacy everywhere.

But adapting the U.S. military to the multipolar world requires more than just swapping out one concept of operations for another. On top of spending too little on civilian instruments, the United States spends too much on the wrong kinds of defense. Despite the 2018 National Defense Strategy's emphasis on future

capabilities, the budget overinvests in current, active duty forces. The Trump administration has proposed increasing the size of the active force by more than 24,000 troops next year, which would require an increase in the military personnel budget of nine percent.⁴³ This is not money well spent. The balance between particular investments also appears misplaced. The administration has called for a 15 percent increase in the budget for the Army, the largest increase of any branch.⁴⁴ Given the importance of the Asia-Pacific, it seems more prudent to weight investments toward the Navy and Air Force, even if this upsets the norm of rough equality among service budgets. The administration has also proposed expanding the active duty force by 51,500 troops by 2023, compared to just 5,100 for the reserves.⁴⁵ But the reserve components provide flexibility and cost as much as one-third less per capita than active duty forces.⁴⁶ The United States should take a page from previous military reformers and focus less on building for the present, and more on investing for the future.

The U.S. spends too much on the wrong kinds of defense, and should invest more for the future.

Force structure is just one area that is ripe for reform; acquisition is another. Here, policymakers should direct scarce defense dollars into promising future technologies, rather than just preserving or modernizing existing ones. It is far from clear, for example, that the United States needs to spend more than \$1.2 trillion in the coming decades to modernize all three legs of its nuclear arsenal.⁴⁷ It is also worth reconsidering whether spending approximately \$13 billion each for the new Ford-class nuclear-powered aircraft carrier is a sensible

investment, given its vulnerabilities and the presence of lower-cost alternatives.⁴⁸ In the long term, research in unmanned vehicles, robotics, autonomous weapons, directed-energy weapons, electromagnetic railguns, and cyberwarfare capabilities can provide the United States with advantages it can use to compensate for lower numbers and fewer platforms.⁴⁹

A final area that merits sustained attention is reforms to the Department of Defense. It has been more than 30 years since the 1986 Goldwater-Nichols Act redesigned the national security bureaucracy of the United States, and the Pentagon still has not completed its first agency-wide financial audit. Many promising reform initiatives begun over the past decade, such as the “Better Buying Power” and the “Force of Future” initiatives, are stalled, and other cost-savings measures, such as another Base Realignment and Closure (BRAC) round, cannot get off the ground because of opposition in Congress. As defense analyst Todd Harrison argues, absent institutional reforms, “a larger budget will simply make the military fatter rather than stronger.”⁵⁰ Spending money to purchase

twenty-first century weapons systems will be squandered if overseen by twentieth century bureaucracies.

Getting One's House in Order

Reforming the military is only part of the picture. The historical record suggests that efforts to rethink a nation's foreign policy should be accompanied with parallel efforts to reinvigorate its domestic institutions and economy. Successful strategic adjustment starts abroad but ends at home.

The first order of business is not to cordon the United States off from the rest of the world. The United States will not become more competitive through higher tariffs, nor will growth rates improve through trade wars. The last time the United States slapped tariffs on foreign steel in 2002, for example, it cost upwards of 200,000 Americans their jobs representing approximately \$4 billion in lost wages.⁵¹ Much more can and should be done to buffer Americans from the gusts of the global economy, but those efforts should focus on the individual worker, not the firm. At the moment, the U.S. government spends less than 0.3 percent of GDP on labor market programs, putting it second from the bottom among OECD countries.⁵² Similarly, while there is little consensus to sustain present levels of immigration, neither is there consensus for xenophobic policies. According to an analysis by the Wharton School, congressional proposals to cut legal immigration by half would reduce GDP by 0.7 percent over the next decade.⁵³ Practical compromises on immigration policy, rather than closing borders, are in everyone's interest.

In terms of positive policies, there are opportunities to boost federal investment in physical infrastructure, education and training, and R&D. The needs in each of these areas are urgent. In 2017, the American Society of Civil Engineers gave U.S. infrastructure a cumulative grade of D+, emphasizing deficiencies in the state of aviation, dams, drinking water, roads, and transit networks.⁵⁴ Along the same lines, the most recent Programme for International Student Assessment found that U.S. high school students ranked 30th in math and 19th in science among the 35 OECD countries.⁵⁵ Between 2008 and 2015, the United States also fell from third to 11th place in terms of public R&D spending as a share of GDP.⁵⁶ Despite this, the Trump administration's proposed budget for fiscal year 2019 would cut non-defense R&D funding by 19 percent.⁵⁷ These cuts are especially devastating because federal support is the backbone of basic research, the foundation of future breakthroughs.⁵⁸

Reversing these trends requires bold efforts. The *Economist* reported that federal, state, and local spending on infrastructure in the second quarter of

last year fell to 1.4 percent of GDP, “the lowest share on record.”⁵⁹ The American Association for the Advance of Science estimates that to keep pace with China on relative R&D spending, the United States would need to accelerate the annual growth of its own spending from the current rate of 2.5 percent to 6.7 percent.⁶⁰ There are also opportunities to encourage private R&D through federal loans and loan guarantees, tax incentives for emergent technologies, and reforms to the patent system. And while one should be cautious of drawing direct lines between federal investments and economic growth, the Congressional Budget Office estimates that increasing federal investments in these areas by \$50 billion a year with offsetting reductions in discretionary spending could boost GDP by as much as \$70 billion over the decade.⁶¹

The biggest domestic challenge facing the United States may not be reinvigorating its economy, however, but repairing its broken politics. Public trust in political institutions is near historic lows, with only 18 percent of Americans saying they trust the government in Washington to do what is right most of the time.⁶² Republican and Democratic members of Congress have more divergent policy views today than at any point since the Second World War, and voters are increasingly motivated by partisan antipathy.⁶³ This domestic gridlock can have grave national security consequences. The Pentagon has started 13 of the past 17 fiscal years without a regular budget, including every year since 2010.⁶⁴ Because of restrictions on how funds can be spent under continuing budget resolutions, such delays are wildly inefficient and inhibit planning. More generally, political scientist Kenneth Schultz points out that political polarization makes it harder for the U.S. government to embark on ambitious undertakings, to learn from its mistakes, or to pursue consistent policies.⁶⁵ Yet, managing the emerging multipolar order is not a simple or short-term challenge. It requires politicians from both parties to be clear to the American people about the need to make difficult choices and adopt durable reforms. It requires citizens to come together to meet the Chinese challenge. Left on its present course, the United States will continue on a downward trajectory.

The Pax Americana Reloaded

It should be plain by now that the United States is on the wrong course. No state has ever resurrected its fortunes by ignoring its decline, by failing to curtail its foreign commitments, or by solving its problems mainly through military means. The greatest hope for American recovery is domestic economic reform, but here the outlook is discouraging: misallocated priorities, political polarization, and

lethargic attitudes toward innovation and efficiency. The United States does not have a theory of victory; it has a toxic cocktail of nostalgia and denial.

Yet there are grounds for hope. Not only have other states successfully navigated shifts in the great power hierarchy, the United States has too. In the late 1940s, policymakers grasped the unique challenges posed by the Soviet Union and reoriented U.S. policy to meet it. The military refashioned itself to compete in a technological arms race on a global scale; federal bureaucracies went through titanic reorganization; government investments in

highways, science and technology, and public health reinvigorated the economy. True, times are different now. U.S. power is ebbing, not at its apex. Global ideological rivalries are less intense and territorial threats are less fierce. Yet, the warning signs are just as dire that the United States lives in an age when it can neither stand its ailments nor ignore the remedies.

Ultimately, American foreign policy must be strategically solvent to succeed. A majority of Americans agree the country is headed in the wrong direction, and now must make the difficult tradeoffs to reorient the ship of state. Other states have done this by reevaluating their foreign commitments, rethinking their military capabilities, and undertaking major domestic reforms. Their lodestars were clear priorities, efficiency, and flexibility. Still other ships of state have sunk on the shoals of parochialism and personalities. Done correctly, reform can keep the United States afloat. Without such reforms, however, the United States will continue to take on water.

The U.S. does not have a theory of victory; it has a toxic cocktail of nostalgia and denial.

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