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Are America's Best Days Behind Us?

By Fareed Zakaria

I am an American, not by accident of birth but by choice. I voted with my feet and became an American because I love this country and think it is exceptional. But when I look at the world today and the strong winds of technological change and global competition, it makes me nervous. Perhaps most unsettling is the fact that while these forces gather strength, Americans seem unable to grasp the magnitude of the challenges that face us. Despite the hyped talk of China's rise, most Americans operate on the assumption that the U.S. is still No. 1.

But is it? Yes, the U.S. remains the world's largest economy, and we have the largest military by far, the most dynamic technology companies and a highly entrepreneurial climate. But these are snapshots of where we are right now. The decisions that created today's growth — decisions about education, infrastructure and the like — were made decades ago. What we see today is an American economy that has boomed because of policies and developments of the 1950s and '60s: the interstate-highway system, massive funding for science and technology, a public-education system that was the envy of the world and generous immigration policies. Look at some underlying measures today, and you will wonder about the future.

The following rankings come from various lists, but they all tell the same story. According to the Organisation for Economic Co-operation and Development (OECD), our 15-year-olds rank 17th in the world in science and 25th in math. We rank 12th among developed countries in college graduation (down from No. 1 for decades). We come in 79th in elementary-school enrollment. Our infrastructure is ranked 23rd in the world, well behind that of every other major advanced economy. American health numbers are stunning for a rich country: based on studies by the OECD and the World Health Organization, we're 27th in life expectancy, 18th in diabetes and first in obesity. Only a few decades ago, the U.S. stood tall in such rankings. No more. There are

some areas in which we are still clearly No. 1, but they're not ones we usually brag about. We have the most guns. We have the most crime among rich countries. And, of course, we have by far the largest amount of debt in the world.

The Rise of the Rest

Many of these changes have taken place not because of America's missteps but because other countries are now playing the same game we are — and playing to win. There is a familiar refrain offered when these concerns are raised: "We heard all this in the 1980s. Japan was going to dominate the globe. It didn't happen, and America ended up back on top." It's a fair point as far as it goes. Japan did not manage to become the world's richest country — though for three decades it had the second largest economy and even now has the third largest. It is also a relatively small country. To become the largest economy in the world, it would have to have a per capita GDP twice that of the U.S. China would need to have an average income only one-fourth that of the U.S. to develop an economy that would surpass ours.

But this misses the broader point. The Harvard historian Niall Ferguson, who has just written a book, *Civilization: The West and the Rest*, puts things in historical context: "For 500 years the West patented six killer applications that set it apart. The first to download them was Japan. Over the last century, one Asian country after another has downloaded these killer apps — competition, modern science, the rule of law and private property rights, modern medicine, the consumer society and the work ethic. Those six things are the secret sauce of Western civilization."

To this historical challenge from nations that have figured out how the West won, add a technological revolution. It is now possible to produce more goods and services with fewer and fewer people, to shift work almost anywhere in the world and to do all this at warp speed. That is the world the U.S. now faces. Yet the country seems unready for the kind of radical adaptation it needs. The changes we are currently debating amount to rearranging the deck chairs on the Titanic.

Sure, the political system seems to be engaged in big debates about the budget, pensions and the nation's future. But this is mostly a sideshow. The battles in state capitals over public-employee pensions are real — the states are required to balance their budgets — but the larger discussion in Washington is about everything except what's important. The debate between Democrats and Republicans on the budget excludes the largest drivers of the long-term deficit — Social Security, Medicaid and Medicare — to say nothing of the biggest nonentitlement costs, like the tax break for interest on mortgages. Only four months ago, the Simpson-Bowles commission presented a series of highly intelligent solutions to our fiscal problems, proposing \$4 trillion in savings, mostly through cuts in programs but also through some tax increases. They have been forgotten by both parties, in particular the Republicans, whose leading budgetary spokesman, Paul Ryan, praises the commission in the abstract even though he voted against its recommendations. Democrats, for their part, became apoplectic about a proposal to raise the retirement age for Social Security by one year — in 2050.

Instead, Washington is likely to make across-the-board cuts in discretionary spending, where there is much less money and considerably less waste. President Obama's efforts to preserve and even increase resources for core programs appear to be failing in a Congress determined to demonstrate its clout. But reducing funds for things like education, scientific research, air-traffic control, NASA, infrastructure and alternative energy will not produce much in savings, and it will hurt the economy's long-term growth. It would happen at the very moment that countries from Germany to South Korea to China are making large investments in education, science, technology and infrastructure. We are cutting investments and subsidizing consumption — exactly the opposite of what are the main drivers of economic growth.

So why are we tackling our economic problems in a manner that is shortsighted and wrong-footed? Because it is politically easy. The key to understanding the moves by both parties is that, for the most part, they are targeting programs that have neither a wide base of support nor influential interest groups behind them. (And that's precisely why they're not where the money is. The American political system is actually quite efficient. It distributes the big bucks to popular programs and powerful special interests.) And neither side will even talk about tax increases, though it is impossible to achieve long-term fiscal stability without them. Certain taxes — such as ones on carbon or gas — would have huge benefits beyond revenue, like energy efficiency.

It's not that our democracy doesn't work; it's that it works only too well. American politics is now hyperresponsive to constituents' interests. And all those interests are dedicated to preserving the past rather than investing for the future. There are no lobbying groups for the next generation of industries, only for those companies that are here now with cash to spend. There are no special-interest groups for our children's economic well-being, only for people who get government benefits right now. The whole system is geared to preserve current subsidies, tax breaks and loopholes. That is why the federal government spends \$4 on elderly people for every \$1 it spends on those under 18. And when the time comes to make cuts, guess whose programs are first on the chopping board. That is a terrible sign of a society's priorities and outlook.

The Perils of Success

Why have our priorities become so mangled? Several decades ago, economist Mancur Olson wrote a book called *The Rise and Decline of Nations*. He was prompted by what he thought was a strange paradox after World War II. Britain, having won the war, slipped into deep stagnation, while Germany, the loser, grew powerfully year after year. Britain's fall was even more perplexing considering that it was the creator of the Industrial Revolution and was the world's original economic superpower.

Olson concluded that, paradoxically, it was success that hurt Britain, while failure helped Germany. British society grew comfortable, complacent and rigid, and its economic and political arrangements became ever more elaborate and costly, focused on distribution rather than growth. Labor unions, the welfare state, protectionist policies and massive borrowing all shielded Britain from the new international competition. The system became sclerotic, and over time, the economic engine of the world turned creaky and sluggish.

Germany, by contrast, was almost entirely destroyed by World War II. That gave it a chance not just to rebuild its physical infrastructure but also to revise its antiquated arrangements and institutions — the political system, the guilds, the economy — with a more modern frame of mind. Defeat made it possible to question everything and rebuild from scratch.

America's success has made it sclerotic. We have sat on top of the world for almost a century, and our repeated economic, political and military victories have made us quite sure that we are destined to be No. 1 forever. We have some advantages. Size matters: when crises come, they do not overwhelm a country as big as the U.S. When the financial crisis hit nations such as Greece and Ireland, it dwarfed them. In the U.S., the problems occurred within the context of a \$15 trillion economy and in a country that still has the trust of the world. Over the past three years, in the wake of the financial crisis, U.S. borrowing costs have gone down, not up.

This is a powerful affirmation of America's strengths, but the problem is that they ensure that the U.S. will not really face up to its challenges. We adjust to the crisis of the moment and move on, but the underlying cancer continues to grow, eating away at the system.

A crucial aspect of beginning to turn things around would be for the U.S. to make an honest accounting of where it stands and what it can learn from other countries. This kind of benchmarking is common among businesses but is sacrilege for the country as a whole. Any politician who dares suggest that the U.S. can learn from — let alone copy — other countries is likely to be denounced instantly. If someone points out that Europe gets better health care at half the cost, that's dangerously socialist thinking. If a business leader notes that tax rates in much of the industrialized world are lower and that there are far fewer loopholes than in the U.S., he is brushed aside as trying to impoverish American workers. If a commentator says — correctly — that social mobility from one generation to the next is greater in many European nations than in the U.S., he is laughed at. Yet several studies, the most recent from the OECD last year, have found that the average American has a much lower chance of moving out of his parents' income bracket than do people in places like Denmark, Sweden, Germany and Canada.

And it's not just politicians and business leaders. It's all of us. Americans simply don't care much, know much or want to learn much about the outside world. We think of America as a globalized society because it has been at the center of the forces of globalization. But actually, the American economy is quite insular; exports account for only about 10% of it. Compare that with the many European countries where half the economy is trade-related, and you can understand why those societies seem more geared to international standards and competition. And that's the key to a competitive future for the U.S. If Olson is right in saying successful societies get sclerotic, the solution is to stay flexible. That means being able to start and shut down companies and hire and fire people. But it also means having a government that can help build out new technologies and infrastructure, that invests in the future and that can eliminate programs that stop working. When Franklin Roosevelt launched the New Deal, he spoke of the need for "bold, persistent experimentation," and he shut down programs when it was clear they didn't work. Today, every government program and subsidy seems eternal.

What the Founding Fathers Knew

Is any of this possible in a rich, democratic country? In fact it is. The countries of Northern Europe — Denmark, Sweden, Norway, Finland — have created a fascinating and mixed model of political economy. Their economies are extremely open and market-based. Most of them score very high on the Heritage Foundation's Index of Economic Freedom. But they also have generous welfare states and make major investments for future growth. Over the past 20 years, these countries have grown nearly as fast as, or in some cases faster than, the U.S. Germany has managed to retain its position as the world's export engine despite high wages and generous benefits.

Now, America should not and cannot simply copy the Nordic model or any other. Americans would rebel at the high taxes that Northern Europeans pay — and those taxes are proving uncompetitive in a world where many other European countries have much lower rates and Singapore has a maximum personal rate of 20%. The American system is more dynamic, entrepreneurial and unequal than that of Europe and will remain so. But the example of Northern Europe shows that rich countries can stay competitive if they remain flexible, benchmark rigorously and embrace efficiency.

American companies are, of course, highly efficient, but American government is not. By this I don't mean to echo the usual complaints about waste, fraud and abuse. In fact, there is less of those things than Americans think, except in the Pentagon with its \$700 billion budget. The problem with the U.S. government is that its allocation of resources is highly inefficient. We spend vast amounts of money on subsidies for housing, agriculture and health, many of which distort the economy and do little for long-term growth. We spend too little on science, technology, innovation and infrastructure, which will produce growth and jobs in the future. For the past few decades, we have been able to be wasteful and get by. But we will not be able to do it much longer. The money is running out, and we will have to marshal funds and target spending far more strategically. This is not a question of too much or too little government, too much or too little spending. We need more government and more spending in some places and less in others.

The tragedy is that Washington knows this. For all the partisan polarization there, most Republicans know that we have to invest in some key areas, and most Democrats know that we have to cut entitlement spending. But we have a political system that has become allergic to compromise and practical solutions. This may be our greatest blind spot. At the very moment that our political system has broken down, one hears only encomiums to it, the Constitution and the perfect Republic that it created. Now, as an immigrant, I love the special and, yes, exceptional nature of American democracy. I believe that the Constitution was one of the wonders of the world — in the 18th century. But today we face the reality of a system that has become creaky. We have an Electoral College that no one understands and a Senate that doesn't work, with rules and traditions that allow a single Senator to obstruct democracy without even explaining why. We have a crazy-quilt patchwork of towns, municipalities and states with

overlapping authority, bureaucracies and resulting waste. We have a political system geared toward ceaseless fundraising and pandering to the interests of the present with no ability to plan, invest or build for the future. And if one mentions any of this, why, one is being unpatriotic, because we have the perfect system of government, handed down to us by demigods who walked the earth in the late 18th century and who serve as models for us today and forever.

America's founders would have been profoundly annoyed by this kind of unreflective ancestor worship. They were global, cosmopolitan figures who learned and copied a great deal from the past and from other countries and were constantly adapting their views. The first constitution, the Articles of Confederation, after all, was a massive failure, and the founders learned from that failure. The decision to have the Supreme Court sit in judgment over acts of the legislature was a later invention. America's founders were modern men who wanted a modern country that broke with its past to create a more perfect union.

And they thought a great deal about decline. Indeed, it was only a few years after the Revolution that the worrying began in earnest. The letters between Thomas Jefferson and John Adams, as the two men watched America in the early 19th century, are filled with foreboding and gloom; you could almost say they began a great American tradition, that of contemplating decay. Americans have been concerned about the health of their country for much of its existence. In the 1950s and '60s, we worried about the Soviet Union and its march toward modernization. In the 1980s, we worried about Japan. This did us no harm; on the contrary, all these fears helped us make changes that allowed us to revive our strength and forge ahead. Dwight Eisenhower took advantage of the fears about the Soviet Union to build the interstate-highway system. John Kennedy used the Soviet challenge in space to set us on a path toward the goal of getting to the moon.

What is really depressing is the tone of our debate. In place of the thoughtful concern of Jefferson and Adams, we have its opposite in tone and temperament — the shallow triumphalism purveyed by politicians now. The founders loved America, but they also understood that it was a work in progress, an unfinished enterprise that would constantly be in need of change, adjustment and repair. For most of our history, we have become rich while remaining restless. Rather than resting on our laurels, we have feared getting fat and lazy. And that has been our greatest strength. In the past, worrying about decline has helped us avert that very condition. Let's hope it does so today.

Loading | Originally Answered: Are America's best days behind us? As of 2010, nearly half of America's federal budget consisted of welfare payments through programs including Social Security, Medicare, and Medicaid, a total of something like \$1.5 TRILLION annually. I have asked many times before why we do not cut these expenditures, and basically the only reason anyone has to offer is that it would be "political suicide." Suicide? It's suicide if we don't cut them! The idea that America 's best days are behind us sits in sharp tension with the high-tech optimism radiating from the offices of the technology start-ups and venture capital firms of Silicon Valley. But it lies at the heart of the current political unrest. And it is about to elbow its way forcefully into the national conversation.Â It 's not just that the income of our optimistic techno-entrepreneurs is growing faster than gross domestic product. A lot of new innovation " the rockets to vacations in orbit, the Apple Watch and Google Glass " also seems custom-designed for them. "If you are sitting in Silicon Valley, rich and at the frontier of technology," said Lawrence F. Katz of Harvard, "it is probably true that things are getting better." The same can 't always be said for the rest of us. Advertisement.