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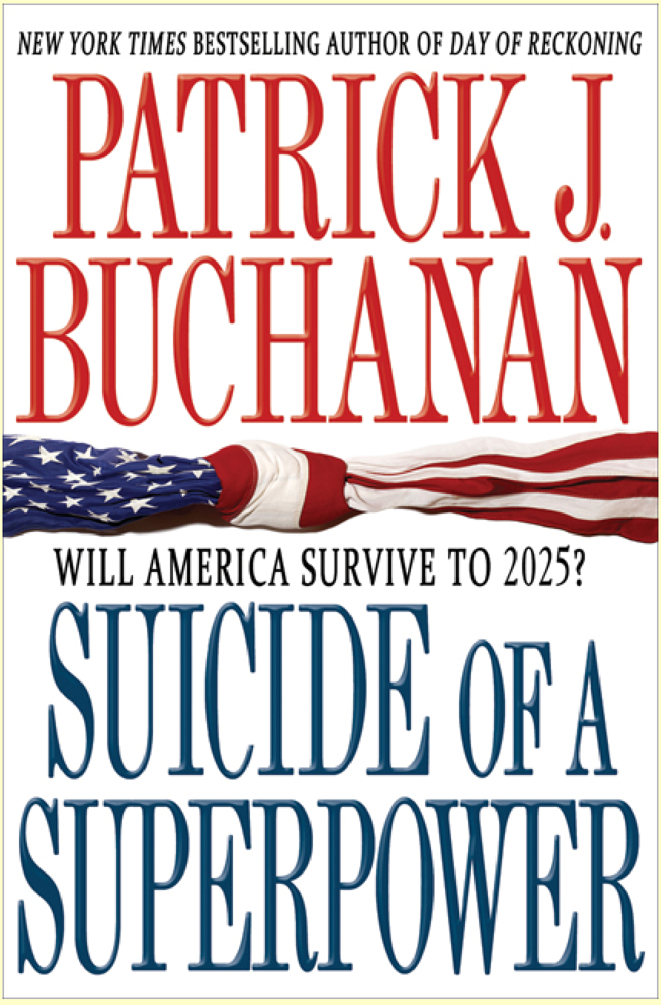

To the Old Right

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THE PASSING OF A SUPERPOWER

America is in unprecedented decline.[1]
—Robert Pape, 2008
The National Interest

The United States is declining as a nation and a world power, with mostly sighs and shrugs to mark this seismic event.[2]
—Leslie H. Gelb, 2009
President Emeritus, Council on Foreign Relations

At no time in human history has a nation of diminished economic vitality maintained its military and political primacy.[3]
—Barack Obama, 2010

"If money isn't loosened up, this sucker is going to go down," said the president of the United States.[4]

The place was the cabinet room. The occasion: the September 2008 meeting of Bush and the congressional leadership—to persuade recalcitrant Republicans to approve a $700 billion bailout of America's imperiled banks to prevent a panic after Treasury Secretary Henry Paulson let Lehman Brothers collapse.

The "sucker" that was going down was the global financial system.

Nine months earlier, CNBC's Lawrence Kudlow, in a column titled, "Bush Boom Continues," had rhapsodized about the Bush economy: "You can call it Goldilocks 2.0."[5] A few months can make quite a difference.

LOST DECADE

This generation of Americans has been witness to one of the most stunning declines of a great power in the history of the world.

In 2000, the United States ran a surplus. In 2009, it ran a deficit of $1.4 trillion—10 percent of the economy. The 2010 deficit was almost equal, and the 2011 deficit is projected to be even higher. The national debt is surging to 100 percent of GDP, portending an eventual run on the dollar, a default, or Weimar-like inflation. The greatest creditor nation in history is now the world's greatest debtor.

In 2010, Republican Senator Judd Gregg, the fiscal conservative Obama wanted in his cabinet, went home to New Hampshire with a warning: "This nation is on a course where if we don't . . . get . . . fiscal policy [under control], we're Greece":

> The Tea Party is in the mainstream of where political thought is right now. We've had a radical explosion in the size of government in the last two years: You've gone from 20 percent of GDP to 24 percent of GDP headed toward 28 percent of GDP. That has to be brought under control or . . . we're going to bankrupt the country.[6]

According to the International Monetary Fund, America's GDP has fallen from 32 percent of world product in 2001 to 24 percent.[7] As Leslie Gelb, president emeritus of the Council on Foreign Relations, has written, "[N]o nation with a massive debt has ever remained a great power":

> [U.S.] heavy industry has largely disappeared, having moved to foreign competitors, which has cut deeply into its ability to be independent in times of peril. Its public-school students trail their peers in other industrialized countries in math and science. They cannot compete in the global economy. Generations of Americans, shockingly, read at a grade-

> school level and know almost no history, not to mention no geography.[8]

Even the establishment has begun to get the message.

Political science professor Robert Pape, of the University of Chicago, echoes Gelb:

> The self-inflicted wounds of the Iraq war, growing government debt, increasingly negative current-account balances and other internal economic weaknesses have cost the United States real power in today's world of rapidly spreading knowledge and technology. If present trends continue, we will look back at the Bush administration years as the death knell of American hegemony.[9]

When Pape correlated the rise of the nineteenth-century powers with the growth in their shares of world product, he found America's decline in the Bush years to be almost without precedent:

> America's relative decline since 2000 of some 30 percent represents a far greater loss of relative power in a shorter time than any power shift among European great powers from roughly the end of the Napoleonic Wars to World War II. . . . Indeed, in size, it is clearly surpassed by only one other great-power decline, the unexpected internal collapse of the Soviet Union in 1991.[10]

In the first decade of what was to be the Second American Century, a net of zero new jobs was created. Average households were earning less in real dollars at the end of the decade than at the beginning. The net worth of the American family, in stocks, bonds, savings, home values, receded 4 percent.[11] Fifty thousand plants and factories shut down.[12] As a source of jobs, manufacturing fell below health care and education in

2001, below retail sales in 2002, below local government in 2006, below leisure and hospitality (restaurants and bars) in 2008—all for the first time.[13] Be it shoes, clothes, cars, furniture, radios, TVs, appliances, bicycles, toys, cameras, computers, we buy from abroad what we used to make here. Our economic independence is history. In April 2010, three of every four Americans, 74 percent, said the country is weaker than a decade ago, and 57 percent said life in America will be worse for the next generation than it is today.[14]

Who did this to us? We did it to ourselves.

We abandoned economic nationalism for globalism. We cast aside fiscal prudence for partisan bidding for voting blocs. We ballooned our welfare state to rival the socialist states of Europe. We invited the world to come and partake of the feast. And we launched a crusade for democracy that has us tied down in two decade-long wars.

WHAT GLOBALIZATION WROUGHT

In 2009, Paul Volcker, former chairman of the Federal Reserve, told Congress the cause of the financial crisis was trade-related imbalances. Pressed by Senator Chris Dodd, Volcker added, "Go back to the imbalances in the economy. The United States has been consuming more than it has been producing for many years."[15]

Starting in the 1980s and accelerating with NAFTA and GATT, the United States set out to meld its economy with those of Europe and Japan and create a global economy. We decided to create the interdependent world envisioned by such nineteenth-century dreamers as David Ricardo, Richard Cobden, Frédéric Bastiat, and John Stuart Mill.

That experiment did not work out well for the free-trade British in the nineteenth century, who were shouldered aside in the struggle for world primacy by America. But our generation would make it work for the world.

What happened was predictable and was, in fact, predicted. With the abolition of tariffs and with U.S. guarantees that goods made in foreign countries would enter America free of charge, manufacturers began to shut plants here and move production abroad to countries where U.S. wage-and-hour laws and health, safety, and environmental regulations did not apply, countries where there were no unions and workers' wages were below the U.S. minimum wage. Competitors who stayed in America were undercut and run out of business, or forced to join the stampede abroad.

After Japan and Europe had carted off their shares of the U.S. market, the Tigers of Asia queued up: South Korea, Taiwan, Malaysia, and Singapore. But the big winner was Beijing. In 1994, China made a brilliant strategic move. She devalued her currency 45 percent, cutting in half the already cheap cost of labor for companies relocating to China, and doubling the price of U.S. goods entering China. The result? Those "imbalances" to which Volcker referred.

For decades, Japan's trade surplus with the United States was the largest on earth. In the 21st century, China's trade surplus with the United States began to dwarf Japan's. In 2008, China exported five times the dollar volume of goods to America as she imported and her trade surplus with America set a world record between any two nations—$266 billion.[16] In August 2010, China's trade surplus with the United States set a new all-time monthly record of $28 billion, and was headed for a new annual record.[17]

Nor was the trade surplus all in toys and textiles. In critical items that the Commerce Department defines as advanced technology products (ATPs), the U.S. trade deficit with China in 2010 hit a record $95 billion. During President Bush's eight years, total trade deficits with China in ATPs exceeded $300 billion.[18] China today has the trade profile of an industrial and technological power while the manifest of U.S. exports to China, aircraft excepted, reads like the exports of the Jamestown Colony back to the Mother Country.

What was the impact of this tsunami of imports on employment? During the first decade of the twenty-first century, U.S. semiconductors and electronic component producers lost 42 percent of their jobs; communications equipment producers lost 48 percent of their jobs; textile and apparel producers lost, respectively, 63 percent and 61 percent of their jobs.[19]

In that same first decade of the twenty-first century, the United States issued 10,300,000 green cards inviting foreigners to come compete for the remaining jobs of U.S. workers. In fiscal year 2009 alone, the first full year of massive layoffs and soaring unemployment in the Great Recession, 1,130,000 green cards were issued, with 808,000 going to permanent immigrants of working age.[20]

What in the name of patriotism are we doing to our own people?

At every election, politicians decry America's deepening dependence on foreign oil. But the U.S. trade deficit in manufacturing, $440 billion in 2008, was $89 billion larger than the U.S. deficit in crude oil. Why is our dependence on the oil of Canada, Mexico, Venezuela, Nigeria, Saudi Arabia, and the Gulf states a greater concern than our dependence on computers and vital components of our high-tech industries and weapons systems produced by a rival power run by a Communist politburo? As Auggie Tantillo, executive director of the American Manufacturing Trade Action Committee, argues:

> Running a trade deficit for natural resources that the United States lacks is something that cannot be helped, but running a massive trade deficit in man-made products that America easily could produce itself is a choice—a poor choice that is bankrupting the country and responsible for the loss of millions of jobs.[21]

What have been the consequences for our country of these trade "imbalances"?

The deindustrialization of America. A growing dependence on China for the necessities of our national life and the loans to pay for them. A loss of millions of the best jobs Americans ever had. A median wage and family income that have been stagnant for a decade. A steep decline in the global purchasing power of the dollar. A loss of national dynamism. A debt bomb that went off in our face in September 2008.

And permanent peril to our national security. As South Carolina's "Fritz" Hollings, the economic patriot of the Senate for four decades, writes:

> The defense industry has been off-shored. We had to wait months to get flat panel displays from Japan before we launched Desert Storm. Boeing can't build a fighter plane except for the parts from India. Sikorsky can't build a helicopter except for the tail motor from Turkey. Today, we can't go to war except for the favor of a foreign country.[22]

FRUITS OF FREE TRADE

Though Bush 41 and Bush 43 often disagreed, one issue united them and Bill Clinton: protectionism. Globalists all, they rejected any measure to protect America's manufacturing base or the wages of U.S. workers. They enacted NAFTA, created the World Trade Organization, abolished tariffs, and granted China unrestricted access to the U.S. market.

Charles W. McMillion, of MBG Information Services, has compiled the results of two decades of this Bush-Clinton-Bush embrace of globalism. His compilation might be entitled "An Index of the Decline and Fall of Industrial America."[23]

- From December 2000 through December 2010, U.S. industrial production fell for the first time since the Depression, and America lost over 3 million private sector jobs, the worst record since 1928 to 1938.
- In that same decade, 5.5 million U.S. manufacturing jobs, one of every three we had, disappeared. Manufacturing, 27 percent of the U.S. economy in 1950, is down to 11 percent and accounts for only 9 percent of the non–farm labor force.[24]

- In traded goods, we ran up \$6.2 trillion in deficits, \$3.8 trillion of that in manufactured goods.
- The Bush II era was the first in U.S. history in which government began to employ more workers than manufacturing.
- U.S. trade surpluses in advanced technology products ended in Bush's first term. From 2007 through 2010, the United States ran trade deficits in ATP totaling \$300 billion with China alone.
- The cumulative U.S. trade deficit with China in manufactured goods was \$2 trillion. China now holds the mortgage on America.
- From December 2000 to December 2010, New York and Ohio lost 38 percent of their manufacturing jobs. Over the same period, New Jersy lost 39 percent, and Michigan lost 48 percent.
- The cumulative current account deficit of the United States from 2000 through the third quarter of 2010 exceeded \$6 trillion. To finance it, we had to borrow \$1.5 billion abroad every day for ten years.

Stephen Moore contrasts the America of 2011 with a country some of us still remember:

> Today in America there are nearly twice as many people working for the government (22.5 million) than in all of manufacturing (11.5 million). This is an almost exact reversal of the situation in 1960, when there were 15 million workers in manufacturing and 8.7 million collecting a paycheck from the government.[25]

"More Americans work for the government," writes Moore, "than work in construction, farming, fishing, forestry, manufacturing, mining and utilities combined. We have moved decisively from a nation of makers to a nation of takers."

This is our reward for turning our backs on the economic nationalism of the men who made America, and embracing the free-trade ideology of economists and academics who never made anything.

In early 2010 it was reported that Detroit, forge and furnace of the Arsenal of Democracy in World War II, was considering razing a fourth of the city and turning it into pastureland. Did that $1.2 trillion trade deficit we ran in autos and auto parts in the Bush 43 decade help to kill Detroit?

If our purpose in negotiating NAFTA was to assist Mexico, consider this: textile and apparel imports from China are now five times the dollar value of those same imports from Mexico and Canada combined.

America's trade deficits are "selling the nation out from under us," said Warren Buffett back in 2003.[26] U.S. trade deficits that have averaged $500 to $600 billion a year for ten years represent the single greatest wealth transfer in history and the single greatest factor raising China up and pulling America down. As astonishing as these indices of American decline is the feckless indifference of our political class. How to explain it?

Ignorance of history is surely one answer. Every nation that rose to world power did so by protecting and nurturing its manufacturing base—from Great Britain under the Acts of Navigation, to the United States from the Civil War to the Roaring Twenties, to Bismarck's Germany before World War I, to postwar Japan, to China today. No nation rose to world power on free trade. From Britain after 1860 to America after 1960, free trade has been the policy of powers that put consumption before production, today before tomorrow.

The historical record is clear. Nations rise on economic nationalism. They descend on free trade.

Ideology is another explanation. Even a (Milton) Friedmanite free trader should be able to see the disaster around us and ask: What benefit did our country receive from these mountains of imported goods, and was that benefit great enough to justify the terrible damage done to our economic independence and vitality? Can not the free-trade ideologues see the direct correlation between trade deficits and national decline?

"Free trade! Free trade!" mocked Henry Clay, architect of the American System, in the great tariff debate of 1832–33. To Clay, the benefits of free trade were illusory: "The call for free trade is as unavailing as the cry of a spoiled child, in its nurse's arms, for the moon or stars that glitter in the firmament of heaven. It never existed. It never will exist." Instead of liberating America, free trade would, said Clay, place us "under the commercial domination of Great Britain."[27]

We have spurned the economic patriotism of Hamilton, Jackson, Clay, Lincoln, Teddy Roosevelt, and Coolidge to embrace free trade. And so it is that we now find ourselves under the commercial domination of the People's Republic of China.

NINETEENTH-CENTURY AMERICANS

"Thank you, Hu Jintao, and thank you, China," said Hugo Chávez, as he announced a $20 billion loan from Beijing—to be repaid in oil.[28]

The Chinese had thrown Chávez a life preserver. Venezuela was reeling from 25 percent inflation, government-induced blackouts to cope with energy shortages, and an economy that shrank by 3.3 percent in 2009.

Where did China get that $20 billion? From consumers at Walmart and all of us who purchase goods made in China. That $20 billion is just 1 percent of the $2 trillion in trade surpluses Beijing has run up with the United States over two decades. And Beijing is using its trillions of dollars in cash reserves to cut deals to lock up strategic resources for the coming struggle with America for global hegemony. China has struck multibillion-dollar deals with Sudan, Brazil, Kazakhstan, Russia, Iran, and Australia to secure a steady supply of oil, gas, and minerals to maintain the 10 to 12 percent growth China has been racking up since Deng Xiaoping dispensed with Maoism and launched China on the road to capitalism.

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