



THE KEY REPORTER

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Is America in Decline?

By Donald N. McCloskey

THE HEADLINES MAKE it hard not to think about America's decline. "Yen at All-Time High." "Japanese Buy Rockefeller Plaza." "Germans Lose War, Win Century."

I offer some facts contrary to the Chicken Littles of our times, such as Paul Kennedy, Lester Thurow, James Fallows, and Robert Reich. Kennedy believes that a great power has toppled, Thurow that we have lost a competitive game, Fallows that we're not sufficiently Japanese, and Reich that we are unprepared for 21st-century capitalism. Fortunately, all of these wise but deeply alarmed men are mistaken.

Fact One: *America has not in fact declined.* You can see that this would be a problem for a tale of

decline. Since Abe Lincoln was a lad the United States has enjoyed the highest real income in the world. Your geography teacher in the sixth grade told you that it was because of our "abundant natural resources," but in modern times the explanation from resources is misleading (look at Russia, rich in resources and poor in production; or Japan, the other way around). America's high income seems to have been a result of letting people get on with it. For the past two centuries, a sound economic policy has been to enforce the law and leave people alone.

Today America remains approximately the richest country in the world. Kuwait is/was an interesting

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example of a country with a higher income per head than America. The others with slightly higher real incomes—calculated at proper exchange rates, though not fully adjusted for overcrowding in housing—are homogeneous little countries with the population and income of the Bay Area. Japan is still poorer per head by about a third, and it will continue to be as long and it protects agriculture and retailing.

America grows at a dignified pace suitable to an already rich economy. Some poorer countries grow faster for a while, but that is no cause for alarm. It is a matter of catching up. As the new rich countries approach the American standard they slow down, as Japan has.

Britain was the first industrial nation, and a century ago its intellectuals, too, were wringing their hands about its "failure." You could reprint some of the scary titles of the 1890s and 1900s for today's airport bookstalls, with the names of countries switched, and no one would know the difference: *Made in Germany* (1886); *The American Invasion* (1902). But Britain is still among the richest countries in the world, 5 percent behind Germany, 5 percent ahead of Belgium. Relax.

Fact Two: Economies are converging on a rich standard. The East Asian countries nowadays are called economic "giants," but they were of course once dirt poor. No one in Korea in 1952 would have expected it to flourish as it has. Any country that wants to get moderately rich like Korea over a few decades of hard work can follow the East Asian plan, which once was called the American plan and before that the British plan. The plan is to let people try to get capitalistically rich. China is stirring this way. So is the world's largest democracy, India. America will be equaled by the Koreas and Chinas and Indias. Three cheers for that. A world rich all around will give scope to billions of lives now blighted.

America will be equaled, not sur-

passed. One should not depend on projecting straight lines of growth into the future. The economic reason for optimism is that the income of a nation, like the income of a person, depends on know-how. When everybody knows how to run a grocery store like the Americans, an optics factory like the Germans, and an insurance company like the British, everybody's income will be about the same as everybody else's. There's no reason why that should not be. The profits are available to the non-Europeans from adopting, say, Italian methods of design and French methods of telephoning, and after a while developing for themselves an Argentinian brilliance at sporting goods or a Pakistani brilliance at aircraft man-



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ufacture, each in turn emulated elsewhere.

The success of Japan shows that an emphatically non-European culture does not prevent the railways from being run at best practice. Already the 16 top industrial nations, with a variety of races, climates, cultures, languages, resources, and religions, diverge in income from one another by only about 10 percent. (India, until recently among the world's last enthusiasts for socialism, diverges by 1,400 percent.) On a chart of the incomes of capitalist countries over the past century the end points mingle.

Fact Three: The richer the now-poor rest of the world gets, the better

for us. Rich countries trade mainly with other rich countries. Rich countries are more inventive than poor countries, probably because they have more educated people, and the inventions spill over onto everybody. Rich countries invest in each other. Which nation owns the most in the United States? It is not Japan; it is Britain, now as in the 19th century. The Marxist notion that the rich are made better off by keeping the poor in thrall is wrong. None of the high incomes of the West or North or whatever (the terminology is beginning to look a little strange when it must include Hong Kong and Singapore) depends on "exploiting" poor countries. Poor countries are economic irrelevancies to the rich countries. You are better off in a town with educated, competent neighbors, and the same holds for countries. Hurrah for convergence in competence.

Fact Four: American management or labor or whoever is blamed for the nonevent of "decline" is not in fact bad. It would be surprising, actually, if the American team that beat the world in the 1950s and 1960s had suddenly and completely lost its touch. That is the story line in today's newspapers. Only so much can be blamed on marijuana and rock music. Americans work about as many hours as workers in the average rich country, even though the Americans are richer. The Japanese work a third longer to earn a third less.

Tales of American decline ignore the undoubted American brilliance in construction, food processing, many services, and some transportation (trucking, aviation) to focus on hard-goods manufacturing, especially cars.

Yet most of the Japanese economy works about as badly as an American subcompact ca. 1980—and after a decade or so of foundering, the Americans are getting back to a leading position even in the car business. Japanese food processing and higher education, to pick two sectors, are comically inefficient by American standards. Look up the number of Nobel prizes won by Japanese. The bad image of American workers and management has so little basis in fact

that one is driven to wonder where it comes from. Perhaps it is that American businesspeople like to read self-improvement books, and in order to self-improve you have to have faults, Puritan-style.

Fact Five: *The American high school is a joke in bad taste, but we make up for it.* True, some illiterates graduate from the American high school. True, Dr. Feelgood runs the place. True, even West High School in Iowa City, filled with faculty brats with IQs in the stratosphere, announces without shame that students have two hours of homework—two hours *a week*. But we make it up later. The great American second chance is college. American colleges from Kirkwood Community College to Cal Tech are the best in the world at developing talent.

A serious high school educational system would have to have serious homework backed up by serious examinations, such as those Britain has at age 15, once called "Ordinary Levels." The examinations are not ordinary. The trouble with nonordinary examinations is that to make them extraordinary some students have to flunk. That means really flunking, so that they are forbidden to go on to college. Ask yourself: Were

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you mature enough at 14 to study by yourself for a year in six subjects, such as math, Latin, English, history, chemistry, and geography? America by contrast is the great land of goofing off followed by a second, third, fourth chance. It's economics: You can't have both tough high schools and second chances.

And the trouble with *not* having second chances, as in most of the world, is that maturity at age 14 is a poor predictor of creativity at age 30. No other country except Canada has so many ways as we do to get a college education, at any age. In



The six new Phi Beta Kappa senators who were elected at the triennial Council in San Francisco last August are pictured as they attended the annual Senate banquet in December. From the left, they are Werner L. Gundersheimer, Allison Blakely, Judith F. Krug, Joseph W. Gordon (his neck was injured in a taxi ride from the airport), Rita F. Dove, and Niall W. Slater.

Japan or Germany, make a false move at age 15 and that's that. American high schools should insist that students read, and the schools should operate longer during the year. If we can fool our children into believing that high school is serious, all the better. But our high schools are not a source of decline.

Fact Six: *It is dangerous to continue the chatter about "decline."* The danger is that it makes people angry at foreigners. Ninety percent of jobs "lost" during economic change are "lost" to other Americans, yet the blame in the press goes to Mexicans and Chinese. People worried about "decline" start looking on oil or automobiles in "strategic" terms. Listen to the British ex-Cabinet Minister Nicholas Ridley, talking a few years ago about German economic competition: "I'm not so sure I wouldn't rather have . . . the shelters and the chance to fight [Hitler] back, than simply being taken over by . . . [West German Chancellor] Kohl's *economics*." Ridley was talking about voluntary trade—your jackknife for my pet frog. He thinks of it as war. Such talk was one cause of World War I, which

ended a peace similar to the one under which we have flourished since 1945. A hundred years ago the British and Germans identified each other as competitors, first in iron and then in warships and then in blood and barbed wire.

America cannot be the literal Top Nation forever, nor should it be, nor does it matter. Being smart and hard-working and fulfilled are what matter, not tiny percentage differences of income between rich countries, 10 percent plus or minus. America is not declining. In the modern world, no income per head actually declines in absolute terms, unless through war and socialism.

The world is converging. No one is going to be Top Nation in that happy era when the whole world has an American suburban standard of living and more. America will go on growing, as it has slowly for two centuries, and the latecomers will join the parade. That's good news, enriching us all. Give thanks: The sky is not falling. ■

This article is adapted from one of the lectures McCloskey gave as a Phi Beta Kappa Visiting Scholar in 1993-94.