After the Fall:
U.S. Grand Strategy After the Pax Americana

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Overview

• Unipolar Era is Over
• Decline of American Power
• End of the Pax Americana and What It Means
• U.S. Grand Strategy in An Era of Decline
• Hegemonic Transitions and the Challenge of China
• Conclusions
Three Pathways to Ending Unipolarity

• Counter-Balancing Coalitions

• Over-extension

• Rise of New Great Powers
Causes of American Decline

- Two Drivers
  - External
    - Rise of China and the Rest
  - Internal
    - Economic Decline
    - Fiscal Crisis
The Declinists Were Right

- An Imported 1980s Debate on U.S. Decline (P. Kennedy, Calleo, Gilpin, Huntington)
- “Termite Decline”—Not Sudden Collapse
  - Federal Budget Deficits
  - National Debt
  - Chronic Trade/Current Account Deficits
  - De-Industrialization
  - Too Much Consumption/Not Enough Savings & Investment
- Debate Aborted—Triumphalism Reigns
  - Collapse of Soviet Union
  - Bursting of Japanese Economic Bubble
- The Impact of the Great Recession
End of the Pax Americana (1)

- Foundations of the Pax Americana
  - Economic Supremacy
  - Military Dominance
  - Ideology/Soft Power
  - Institutions
- U.S. Hegemony
  - Economic Hegemony (Kindelberger, Gilpin)
    - Rules of the Game
    - Market of Last Resort
    - Reserve Currency
  - Military Hegemony
    - Regional Stabilizer
    - Guardian of Global Commons
- Remove Economic and Military Pillars and the Entire Structure of the Pax Americana Collapses
End of Pax Americana (2)

• U.S. No Longer Economic Hegemon
  – Obama (April 2009): Don’t Look to U.S. consumption to Lead World Economy Out of Great Recession
    • U.S. is Leading Debtor/Not a Creditor
    • Threats to Dollar’s Reserve Currency Rule
      – US Debt Crisis
      – Runaway Inflation
      – Loss of Confidence in US Ability to Service its Debt

• China Displaces U.S. in East and Southeast Asia
End of Pax Americana (3)

• U.S. Loss of “Agenda Setting” Capacity in International Institutions
  – U.S. Failure to Compel RMB Appreciation
  – U.S. Loses Austerity vs. Stimulus Debate with Europe

• Demand for Reform of “Legacy Institutions
  – Brazil, India membership of UN Security Council
  – Re-Weighting of IMF Votes

• Emergence of New Institutions Outside Pax Americana
  – BRICs
  – SCO
  – CSTO
End of Pax Americana (4)

• Erosion of U.S. Soft Power
  – Great Recession Discredited U.S. Political and Economic Model
  – Washington Consensus Challenged by Beijing Consensus
  – China’s Charm Offensive in Latin America and Africa
End of Pax Americana (3)

- Approaching End of U.S. Military Supremacy
- U.S. Will Face Multiple Regional Challenges—Not a single Global Challenge
- U.S. Imperially—and financially—overstretched
  - Iraq: the $3 trillion war
  - Afghanistan: the $1 trillion war
- Fiscal Constraints Will Compel U.S. Strategic Retrenchment
- U.S. Retrenchment Will Lower “Entry Barrier” for Rivals
Disproportionate Military Spending
The Coming Fiscal Crisis

- U.S. Debt
  - Debt to GDP Ratio is 100% in 2016 (IMF) or 2020 (CBO)
  - Real Crunch is After 2020
- U.S. Must Slash Expenditures/Increase Revenue

- Consequences of Not Resolving Fiscal Crisis
  - Higher Taxes/Interest Rates Choke Off Growth
  - Inflows of Foreign Capital Dry-Up
  - Reserve Currency Role of U.S. Dollar Imperiled.

- Defence Spending Will be Hit By Big Cuts
  - Sequester
The Willie Sutton Rule

2010 Total Spending

- Mandatory (55%)
- Defense Discretionary (20%)
- Nondefense Discretionary (19%)
- Interest (6%)
Must Solve the Fiscal Crisis
The Pattern of Great Power Rise

Wealth → Increased Ambitions: • Status • Interests → Military Power: • Especially Power Projection Capabilities

Rising Great Powers → Regional Hegemony

Rise of Great Powers = Geopolitical Instability
The China Challenge

• China Over Takes Us

U.S./CHINA GDP TRENDS (PPP)

Percentage of World Total

- United States
- China

Years: 1980 to 2017
### Expected U.S. GDP Growth Trends

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<th>NIC Long-Term Estimates</th>
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Sources: NIC Global Trends 2030; Congressional Budget Office. "Budget and Economic Outlook, 2013-2023"
When Will China’s GDP Surpass the United States?

- Economist (2010, 2011)
- PWC (2009)
- EIU (2009)
- OECD (2013)
- IMF (2011)
- Goldman Sachs (2008)
- 2016
- 2018
- 2019
- 2020
- 2021
- 2028
- 2041
Sino-American Power Transition: Takeaways

• A Sino-American Power Transition is Occurring
• China Will Seek Regional Hegemony in East Asia
• Current U.S. Defence Spending is Unsustainable and Self Defeating
• U.S. Grand Strategic Readjustment Will Be Required: Switch to Offshore Balancing
China’s View: Return to Great Power Status

storation, Not Rise
Pathways To Conflict

- Territorial Conflicts
  - Taiwan
  - Korean Peninsula
  - East and South China Sea
- Resource Competition
- Contest for Prestige/Status
- Naval Competition
- Competition for Hegemony in East Asia
  - “Dodge-City Syndrome”
  - “Newtonian Theory of Geopolitics”
Great Power Strategies for Managing Decline

- Accommodation
- Preventive War
- Primary
  - The U.S. Today
- Forward Containment
- Burden Shifting
- Military Isolationism
- Territorial Concessions
Offshore Balancing: The Best U.S. Strategy

Components of Offshore Balancing:

- Emphasize Air and Naval Power
- Military Isolationism
- Accommodation
- Burden Shifting
- Forward Containment
- Primacy (The U.S. Today)
- Preventive War (Gilpin 191)

Territorial Concessions:
- USSR
- (once-)Great Britain
Logic of Offshore Balancing

• Change is on the Way – Like It or Not
  – Prudent Planners Must Prepare
  – Self Restraint Better Than Being Restrained by Others

• Channel Mahan Not Mackinder
  – Maximize U.S. Comparative Military Advantages
    • Stand-Off Precision Strike, Air and Naval Power

• Containment Through Phased Burden-Shifting

• Accommodate China’s Rise/Don’t Make China Insecure
  – Crowe/Sanderson Debate
Offshore Balancing in Asia

• U.S. Strategy: Combine Containment and Accommodation
  – End U.S. Commitment to Taiwan (the “RPOT”)
  – Recognize China’s Paramount Interests on Korean Peninsula
    • Remove U.S. Troops from Peninsula Over Five Years
    • Shift to S. Korea and China Responsibility for Managing N. Korea
  – No U.S. Commitment to Japan re: Senkaku/Diaoyu Islands
  – Reconfigure International Institutions to Assuage China’s Prestige Concerns
  – Turn to Japan, India, Russia as Counterweights to China
    • Be Willing to Arm Them to the Teeth – Including Japanese Nukes
  – Maintain U.S. Naval and Air Capabilities
The Dangers of the Coming Multipolar World

• Regional powers will emerge with competing interests
  – They will challenge local US military power
  – Already becoming difficult for US to project power

• The chances of miscalculation increase
  – Hard to calculate relative military power
    • True in years before WWI and WWII

• Credibility of US extended deterrence will erode
  – Multiple challengers will emerge
  – Allies fear of abandonment and entrapment will grow

• Regional powers will compete for scarce resources
Conclusion: A World in Transition

• A World Shaped by American Decline and Rise of China (and others)
  – The British Analogy
    • Multiple regional threats and not a single global threat
  – The 1920/1930s Analogy
    • No Hegemon to manage the international system
  – 1914 Analogy
    • Naval rivalry
    • Status competition
    • Ideology
      – China’s Rise is an “Affront” (A. Friedberg)

• How Will U.S. Adjust?
  – Graceful Retrenchment *versus* Crises and War
Questions