

Opinion Asia.

What kind of America post-Financial Crisis?

[Joergen Oerstroem Moeller](#)

10 Oct 2008



The jury continues to fumble in the dark, wondering what kind of US the world will see after the global financial crisis peters out. Some observers take the view that the US is fundamentally strong, and its traditionally vibrant economy will work wonders again to put the country back on its tracks. Others see parallels to the 1929 crisis and take comfort in the fact that the US emerged stronger after that crisis to emerge as a global power. Yet others see America as having to listen more to the rest of the world and unable to select its friends and allies as freely as before.

The crisis is still running at full steam and startling new developments may alter the picture further. But it is unlikely that the post-World War II US, with its magnanimity and benevolence, ready, able and strong enough to set aside its own interests to help other countries will survive. A more inward looking America, caring for its own interests is the more likely outcome. Four reasons support this prediction.

First, September 11 shook the perception of American invulnerability. The subsequent wars against terrorists in Afghanistan and Iraq might have reinforced the homeland, but only temporarily. Despite an enormous mobilisation of resources, the US is still stuck in these two countries, reminding the world of the limits of American power.

The policy of promoting democracy in line with the fundamental tenets of US foreign policy since the days of Woodrow Wilson has not necessarily raised America into pole position, as a role model for the rest of the world. Many Americans are baffled and puzzled by the largely negatively reaction of the world, especially post-September 11, to this apparent US benevolence. Over time, the attitudes of ordinary Americans are likely to shift and they could see the outside world as a potential threat to their economic well-being, a prediction that has already been evidenced with the migration of many jobs to India and China.

Second, the US took pride in its economic system and saw American financial management and entrepreneurship as a crucial contribution to the development of the world. Now most of these very fundamentals lie in ruins. Not only has the financial system practically collapsed, many of its managers have come out tainted, cast as flawed, both morally and ethically even if they may not have violated the law. The grilling on

Capitol Hill of the former head of Lehman Brothers, Richard Fuld, disclosed the gravity of the betrayal felt by ordinary Americans. He and others like him were icons - now are seen as little more than vermin.

Entrusted with the American dream, they failed miserably, abusing the trust implicitly extended to them. Add this lack of confidence and trust in the American model to the aftermath of the terrorist attacks and a largely stalemated US foreign policy, and the image that appears is that of a US lacking self-belief and pride.

Third, in the course of six to twelve months, many American enterprises will run into liquidity problems. Their management had made investment plans expecting growth of 2-3 % to continue. No one can blame them, as it looked sensible before the financial crisis struck. The problem is that revenue and profit will slide with the economic slowdown and likely recession, resulting in lower revenues and high outlays.

In normal circumstances, this would not be a problem since many are sound enterprises and banks would step in to bridge the liquidity gap. Now, however, it is another story. The banks have no money to lend and what they have will be employed to consolidate their bottom-line, throwing many American enterprises in need of liquidity out to the wolves. Many of them will probably make it, but some will not. The frightening thing is that many that fail will be sound companies. The question will be asked again; what went wrong with the American model?

Fourth, a military posture around the globe costs money - a lot of money. For example, the new Gerald Ford class of aircraft carriers is estimated to cost around \$11 billion per ship, including R&D costs. The US navy needs around 11 carriers to maintain a global presence. Separately, some of the newer surface combatants that will make up a carrier group as likely to cost up to \$5 billion. The amount of debt the US has to repay over the next few decades will be enormous, in addition to other military purchases in the wings like additional F-22 Raptors and the Joint Strike Fighter for the US Air Force.

Tax revenues will fall with lower future growth trends, because of negative demographics - add this to the outlays by the Treasury to bail out financial institutions this year that have to be repaid as well. Taken together, considerable doubts over American capability and willingness to pay for such military hardware loom ominously.

There will be a cacophony of noise demanding cost cutting, which can only be brought about by a reprioritisation of US military operations around the globe. The answer will probably be a concentration of forces where vital US interests are judged to be at stake, and a downgrading or withdrawal from areas where the US' role is to maintain balance and stability.

One cannot tell for sure how the geopolitical picture will look when the dust has settled and the contours of a new power equation emerges. The US is not going to disappear with a stroke. Far from it. For several decades to come, it will continue to be the strongest power politically, economically, technologically and militarily. But relatively, US power

will be in incontrovertible decline.

Already right now, below the surface, uncertainty reigns about how confident US politicians and the American people remain in their ability to lead, shoulder international burdens and if necessary, project power. Rising powers like China and India plus 'old' powers like Europe may be called in to share the burden of leadership, but are they ready and willing to do so? The world may slide into global perplexity as the definitive status quo. Even critics of the US may then wonder whether it was a state of affairs that was sought.

In his inaugural speech January 20, 1960 President John F. Kennedy said 'Let every nation know, whether it wishes us well or ill, that we shall pay any price, bear any burden, meet any hardship, support any friend, oppose any foe, to assure the survival and the success of liberty'. Such words are unlikely to come from the next US President when he delivers his inaugural speech a couple of months from now.

Joergen Oerstroem Moeller is a Visiting Senior Research Fellow at the Institute of Southeast Asian Studies, and an Adjunct Professor at the Copenhagen Business School.

Copyright: OpinionAsia, 2006 - 2008.  
[www.opinionasia.org](http://www.opinionasia.org)