How Stands the American Republic?

WSJ 4/20/88

By VERMONT ROYSTER

It's easy to put a date on the zenith of the American Republic. It was August 1945.

This was not only because in that month the last of our enemies in World War II surrendered on board the USS Missouri. It was not even that the U.S. stood as the world's mightiest military power. Nor was it entirely because the U.S. was the greatest economic power.

In that long ago August there was no other country in the world that could match the U.S. in any way. In almost every aspect of human endeavor we strode the rest of the world like a colossus.

It's also worth noting that in the midst of the struggle and accomplishment of that terrible war our country remained the world's largest democracy. Here at home, in 1944 we held a free and open election for our presidency in which 22 million voters peacefully voted for the loser, Thomas Dewey, giving him the largest number of electoral votes for any losing candidate since 1924.

Today, as we are engaged in another election, how stands the American Republic?

We are still a strong nation, but we are no longer the world's unequaled military power. Nor are we the unrivaled economic power.

In economic strength we are matched, and sometimes exceeded, by many nations, including two we defeated—Japan and what is left of Germany. In some economic areas we are even rivaled by small nations. While once our financial strength made us creditor to the world, today we are one of its biggest debtors. Our national debt is measured in the trillions of dollars.

For years the American auto industry has had to beg the Japanese to limit auto sales in this country. We have imported steel from West Germany, which is like carrying coal to Newcastle. Our textile industry is pleading with our government to halt imports from many countries. In short, we just don't stand as tall as we once did in the economic realm.

There are many reasons for this change. For one, with unheard-of generosity we, the conquerors, helped rebuild our crushed foes with the Marshall Plan for Europe and millions to occupied Japan. For another, the very destruction we wreaked on the industries of Germany and Japan meant that when they rebuilt they did so with the most advanced equipment while much of our equipment was old and worn from wartime use. And let's face it, much of the cause was the complacency among our industry leaders.

Today, lamentations are heard in the land: We are being smothered by our debts; our land and factories are being swallowed up by foreigners; in trade we have lost our competitive edge.

One lamenter of impeccable credentials is Peter G. Peterson, who in a recent Atlantic complains that we have let our infrastructure crumble, our productivity dwindle, our savings evaporate and our foreign markets dwindle. Now, he says, the day of reckoning is at hand. Mr. Peterson, former Secretary of Commerce and chairman of Lehman Brothers, is now chairman of Blackstone Group. The bill of particulars he draws is impressive and undeniable. In 1979 the federal government absorbed 20.5% of our gross national product; by 1986 that had increased to 23.8%. We entered the 1980s intending to strengthen our military and project our power abroad more effectively. Today, budget restrictions draw an ever-tighter circle around our strategic options. "We are about to demonstrate to the rest of the world that America is incapable of sustainable long-term defense planning," Mr. Peterson writes.

We are reduced to "jawboning" foreign governments to buy more of our exports because we are unable to produce better and less expensive goods competitively. Our "fast growing debt to other industrial countries has diverted our diplomatic energy into placating foreign central banks with exchange rate agreements." In short, Mr. Peterson foresees "an end to U.S. global leadership."

If that is the case—and Mr. Peterson makes a disturbing case for it—we will not of course be the first once-great power to fall from the heights. By coincidence, a best seller by historian Paul Kennedy is a reminder of the long record of "The Rise & Fall of the Great Powers."

The classic example is the decline and fall of the Roman empire. But it is not the only example before us. For more than three centuries one great power or another dominated the Western world only to be ultimately eclipsed, more from its own internal weakness than from foreign foes.

The latest example is Britain. Once the sun never set on some part of it. Today the sun hardly rises on Britain itself. It is neither a great military nor a great economic power, though it was the Mother of the Industrial Revolution.

Is the same thing happening now to the U.S., as Mr. Peterson and others fear? It is possible and will happen if we as a nation continue to spend and borrow more than we save and produce. If we do, we cannot long remain a great military power nor a great economic power to which other nations will look for guidance and succor. That can happen if those who govern us continue recklessly to mismanage our financial affairs or those who manage our industries continue to be lethargic in facing world competition.

So, like Mr. Peterson, I too can be disheartened. But if I do not despair it is because, for one thing, I remember what he cannot: that nadir in the long decade of the 1930s. Then our military power was truly pitiful. Our economy was in shambles and our people despairing. Then, too, there were prophets saying we had passed our days of glory.

But when the moment came that all could see the challenge, the people rose to meet it. The true glory days lay ahead.

Today, once more, the challenge is clearly seen. Our industry is once more girding itself to meet it, particularly those in the "rust belt." Steel and auto makers are becoming more competitive. There is a chance that out of the political campaign there will come new leaders who will manage better our economic affairs. If that happens we can speak more forcefully in all the world's affairs.

That America is no longer at that zenith it knew 40 years ago is true enough. So it is that we are beset by problems, some old, some new, for which at the moment we see no answers. But we have been there before. So I, for one, will not yet despair. I remain as always a pessimist about the near future, but I remain as always an optimist about the long future of the American Republic.

Mr. Royster is editor emeritus of the Journal.

THE WALL STREET JOURNAL.

Warren H. Phillips, *Chairman, Chief Executive* — **Ray Shaw**, *President*

Peter R. Kann, *Executive Vice President/Associate Publisher*

Norman Pearlstine, *Managing Editor* — **Robert L. Bartley**, *Editor*

Paul E. Steiger, *Deputy Managing Editor* — **George Melloan**, *Deputy Editor, Editorial Page*

Bernard T. Flanagan, *Vice President/Marketing* — **Frank C. Breese III**, *Vice President/Operations*

Dorothea Coccoli Palsho, *Vice President/Circulation*

Published since 1889 by

DOW JONES & COMPANY, INC.

Editorial and Corporate Headquarters:
200 Liberty Street, New York, N.Y. 10281.
Telephone (212) 416-2000

Warren H. Phillips, *Chairman*; **Ray Shaw**, *President*; **William L. Dunn, Peter R. Kann**, *Executive Vice Presidents*; **Kenneth L. Burenga, James H. Ottaway Jr.**, *Senior Vice Presidents.*

Vice Presidents: Frank C. Breese III, *Operations*; Donald L. Miller, *Employee Relations*; Kevin J. Roche, *Finance*; Peter G. Skinner, *Corporate General Counsel*; Sterling E. Soderlind, *Planning*; Carl M. Valenti, *Information Services.*

Associate Editors: Edward R. Cony, Laurence G. O'Donnell.

Midwest News and Sales Office:
1 South Wacker Drive, Chicago, Illinois 60606
Telephone (312) 750-4000

SUBSCRIPTIONS AND ADDRESS CHANGES should be sent to The Wall Street Journal, 200 Burnett Road, Chicopee, Mass. 01020, giving old and new address. For subscription rates see Page 2.