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## AMERICAN MILITARY STRATEGY AND GRAND STRATEGY

American national security strategy is premised on international presence, deterrence, and engagement. Jarred by the world wars into recognizing that its geographic isolation from most of the world's industrial and resource centers did not allow it to stay out of other nations' conflicts, the United States chose to stay active internationally after World War II. It developed a network of alliances throughout Western Europe, East Asia, parts of the broader Middle East, and Latin America.

At times the United States was arguably not quick enough to form alliances, as when deterrence failed and North Korea invaded South Korea in 1950. At other times it forged partnerships with regimes that did not share its values or lacked staying power, as with the Shah's Iran or the government of South Vietnam. But for the most part, U.S. security partnerships endured. Even after the cold war ended, the United States retained this system of alliances. The rise of new dangers, such as the proliferation of nuclear weapons, as well as ongoing threats posed by hostile regimes in North Korea,

Iran, and Iraq, made American disengagement seem an imprudent option—for the United States and for its security partners as well. Indeed, in playing its worldwide military role, the United States has more than sixty formal allies or other close security partners with whom it teams in one way or another.

This set of partnerships and overseas commitments sounds enormously ambitious and costly. In some ways, it surely is. Defending only America's own territory would be feasible at far less cost, with far fewer forces, than maintenance of this global network—at least for a while. But the costs of war can be far greater, in lives and treasure, than the costs of preparedness and deterrence. As such, the United States has now sustained a standing military at an average annual cost of some \$475 billion (expressed in constant or inflation-adjusted 2013 dollars) for more than half a century. At present it spends some \$650 billion, though those numbers are gradually declining under current law and policy, as the war in Afghanistan winds down. By mid-decade, national defense budget and spending levels will trend toward \$550 billion a year (excluding Veterans Administration expenses, but including most intelligence functions and Department of Energy nuclear weapons activities). Sequestration, as required by the 2011 Budget Control Act unless superseded, or similar plans would reduce that latter annual figure to about \$500 billion (again, as expressed in constant 2013 dollars).

This book searches for responsible ways to cut defense a bit more. It concludes that sequestration, or plans like the 2010 Simpson-Bowles deficit reduction proposal, would cut the military too deeply. That said, there is room for further economizing that would allow moderately significant additional cuts in weapons, forces, and compensation levels, as well as administrative reforms and efficiencies—totaling up to \$200 billion over a decade in gross terms. Net savings in the overall national security budget might be \$100 billion to \$150 billion—a modest, but hardly insignificant, contribution toward the \$2.5 trillion or so in ten-year federal deficit reduction that many economists consider advisable prior to sequestration. Taken together, these planned and suggested

changes would result in an annual national defense spending level of perhaps \$525 billion to \$535 billion.

### **The Economic Challenge to American Security**

The recent run of trillion-dollar federal deficits, coupled with the deep recession of 2008–09 and a still-sluggish economy, has contributed to the anxieties Americans have about the future; many lost their homes and jobs, have seen their investment portfolios shrink, and have lost faith in the American dream. For foreign policy strategists, these worries are compounded by a sense that throughout history, great powers with weakening economic foundations cannot stay great powers for long. In a democracy like America's, the economic problem is compounded by the political risk that as fewer citizens perceive personal benefit from America's strategy of internationalism, their support for continued engagement abroad can be expected to weaken. Such tendencies are already seen in a number of demographic and socioeconomic groups, including in the attitudes of younger generations today.<sup>1</sup> And as great powers decline or fall, others generally seek to fill the resulting power vacuum—resulting not only in diminished influence for the former power, but greater instability and risk for the international system on the whole, since war is often the result.

As such, while defense cuts must be made, they must be made carefully. It would be unwise to spend more on defense than is necessary, but it would be penny-wise and pound-foolish to jeopardize the general stability of today's international system in an overly assertive effort to reduce the U.S. federal deficit by some specific percentage. Perhaps interstate war has become unthinkable today. But that theory was voiced in earlier eras, only to be proven wrong by subsequent events, as when Norman Angell's prediction that economic interlinkages made war unthinkable was invalidated shortly thereafter by the outbreak of World War I.<sup>2</sup> Maybe the twentieth century's experiences—huge casualties from the world wars and huge projected casualties in any future

war involving nuclear weapons—have taught mankind the risks of armed conflict. But it is hardly inconceivable that new sources of conflict could emerge—over disputed seabed resources, over the uneven effects of climate change on different countries and regions, over nuclear or biological weapons dangers or threats.<sup>3</sup>

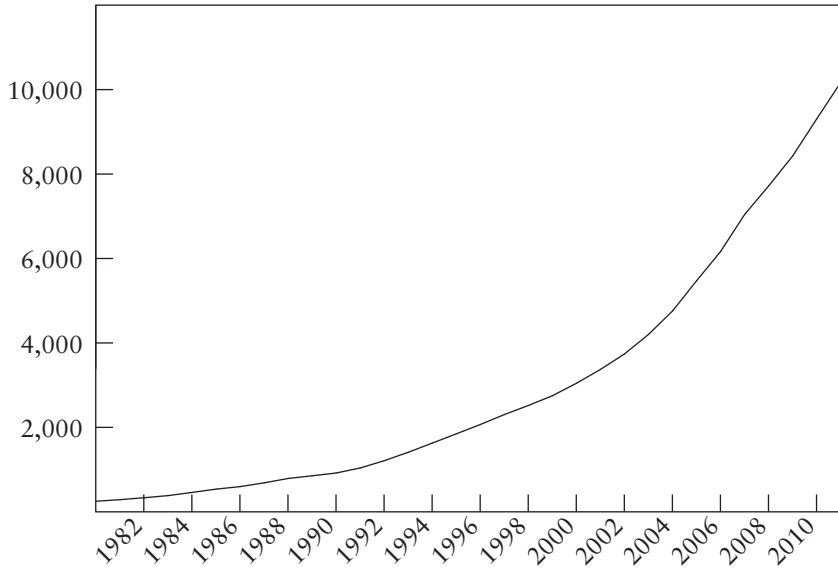
China's rise is causing tectonic shifts in the international power distribution as well. One need not be a Sinophobe to understand that changes of the current magnitude can be destabilizing; at least, that has been the historical tendency in other periods of hegemonic transformation. China is on balance acting reasonably responsibly in most domains of international affairs. But its very rise produces temptations at home and insecurities abroad. Its recent behavior in the South China Sea as well as the East China Sea suggests certain ambitions, particularly among its often nationalistic and anti-American military leadership. One need not expect to fight China to believe that it is important to retain strong American capabilities and American alliances to preserve a stable existing order as China continues to reach toward likely superpower status.<sup>4</sup>

Robust U.S. defense spending levels are surely preferable to a major-power war or other serious conflict. Nor do they seem inherently dangerous. The United States already has enough checks on its uses of force, including general aversion to casualties, as well as a desire to look inward and focus on domestic issues rather than expend resources abroad, that it is probably not necessary to cut defense in order somehow to prevent unwanted military operations. The United States of modern times is not exactly a peaceful nation, and it is certainly not pacifist. But neither is it an imperialistic country, as traditionally defined.

Yes, the United States invaded Iraq without desirable levels of international support or legitimacy. And that war may be seen as unwise by history. But if that was the worst thing that modern America could do—invading a country to overthrow one of the world's worst dictators who was in violation of the terms of the 1991 ceasefire ending Operation Desert Storm and more than a dozen UN Security Council resolu-

Figure 1-1. *China's Gross Domestic Product (PPP), 1980–2011*

Billions of 2013 dollars



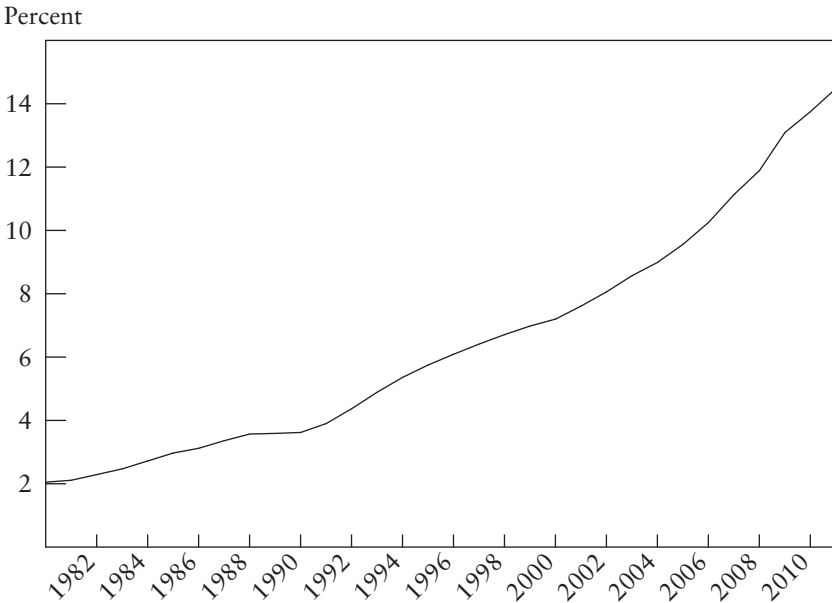
Note: Purchasing Power Parity (PPP) figures are somewhat greater than GDP measured by official nominal exchange rates. For comparison, U.S. GDP (PPP) in 2010 was \$14,582 billion. The Carnegie Endowment projects China's real GDP to reach \$23,358 billion in 2025 and \$46,348 billion in 2050.

Sources: The World Bank Group, World DataBank (2013) (<http://databank.worldbank.org>); Zbigniew Brzezinski, *Strategic Vision: America and the Crisis of Global Power* (New York: Basic Books, 2012), p. 57.

tions—it is easy to see why more than sixty countries still ally with the United States even as they sometimes harshly disagree with it. American power is apparently perceived by others as desirable and stabilizing, as also reflected in the fact that no hostile or opposing bloc of nations has formed against it.<sup>5</sup>

If having a smaller military guaranteed that the country would avoid mistakes about the use of force, while having enough capability to prevail in smart wars, most people would presumably assent to that arrangement. However, history does not tend to back up such a theory. Moreover, during some of the times when the United States was at its maximum national power, as during the Reagan years, it went to war

Figure 1-2. *China's Gross Domestic Product (PPP) as Share of World Gross Domestic Product, 1980–2011*



Note: Purchasing Power Parity (PPP) figures are somewhat greater than GDP measured by official nominal exchange rates. According to the Organization for Economic Cooperation and Development, the United States made up 23 percent of the world's GDP (PPP) in 2011. In 2030 the OECD projects China to make up 28 percent of the world's GDP (PPP), compared to 18 percent in the United States. In 2060 the projections keep China at 28 percent of the world's GDP (PPP) while dropping the United States to 16 percent.

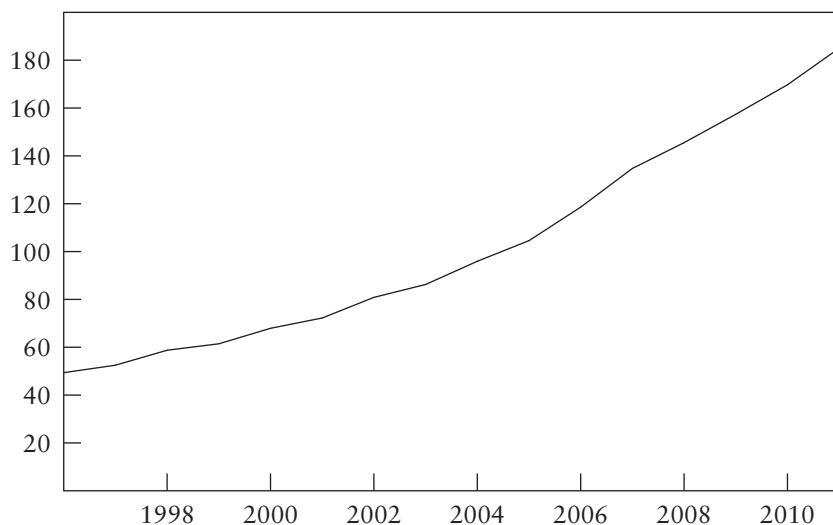
Sources: The World Bank Group, World DataBank (2013) (<http://databank.worldbank.org>); Organization for Economic Cooperation and Development, "Economic Outlook No 91 — Long-Term Baseline Projection," June 2012.

relatively infrequently, or engaged only in low-level conflicts. So it hardly appears that having a strong military makes America more prone to adventurism, or that having a smaller and less costly military necessarily improves the odds of peace

Some people favor asking U.S. allies to do more, thereby enabling the United States to do less. That sentiment might seem to be sensible. But allies are sovereign and make their own decisions. As such, the alternative to current policy is not simply asking allies to do more, which Washington already does frequently, but to leave them to fend

Figure 1-3. *China's Military Expenditures, 1996–2011*

Billions of 2013 dollars



Note: The Pentagon's range for 2011 was \$120 billion to a little more than \$180 billion. Given previous estimates, I have used the higher number. Estimates by the International Institute for Strategic Studies (IISS), as reported in its annual *The Military Balance*, are about one-third lower per year than those reported by the Department of Defense. In 2011 the IISS's estimate for China's military expenditure was \$111 billion. By 2030, based on GDP projections, China's military budget could reach \$500 billion if it remains steady as a fraction of GDP.

Sources: Office of the Secretary of Defense, "Military and Security Developments Involving the People's Republic of China 2010" (Washington, August 2010), p. 42; "Military and Security Developments Involving the People's Republic of China 2011" (Washington, August 2011), p. 41 ([www.defense.gov/pubs/pdfs/2011\\_CMPR\\_Final.pdf](http://www.defense.gov/pubs/pdfs/2011_CMPR_Final.pdf)); "Military and Security Developments Involving the People's Republic of China 2011" (Washington, August 2012), p. 6 ([www.defense.gov/pubs/pdfs/](http://www.defense.gov/pubs/pdfs/)).

more for themselves and hope that they pick up the slack of American retrenchment. That would be a major strategic gamble. In places like the Persian Gulf, such an approach could easily produce conventional and nuclear arms races if countries such as Saudi Arabia and Turkey sought to counter Iran (and each other). Similar dynamics also could ensue among Japan, Korea, and China in East Asia. History suggests that such arms races do not tend to end well. For all the turbulence in today's world, American power would still seem stabilizing, as there have been no large-scale great-power wars since 1945. Put differently,

Iran does not have the capacity and China does not have the inclination to challenge American power directly at present. However, those states might well seek to challenge and dominate their regional neighbors absent compelling American security guarantees. War that ultimately dragged in the United States could well be the result.

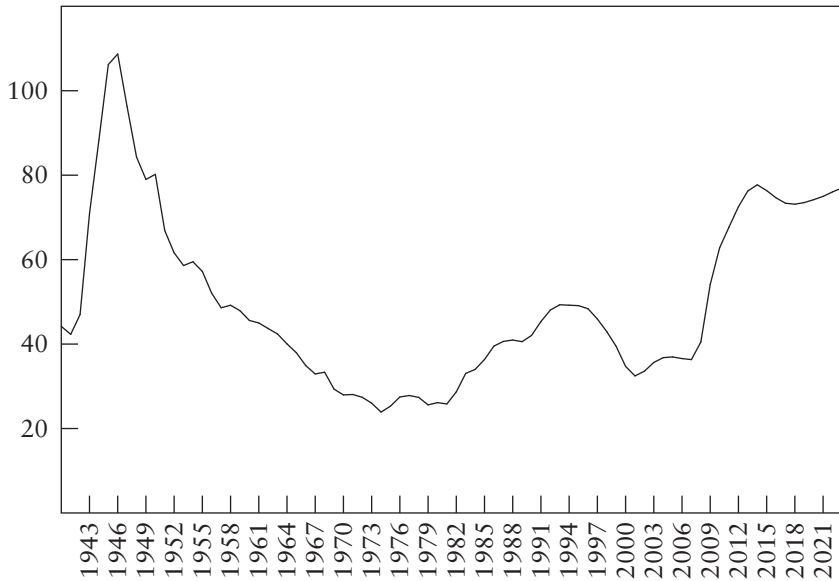
Matters more mundane than global power balances also affect defense budget decisions. In considering possible reductions to the military budget, it is important to remember that most defense costs—for personnel, health care, environmental restoration, equipment maintenance, equipment modernization, and the like—go up faster than general inflation. In fact, the Congressional Budget Office (CBO) estimates that the average annual defense budget requirement for the next two decades will be about 10 percent greater than planned levels, with costs for operations, maintenance, and personnel collectively growing 1.5 percent a year faster than inflation over the period.<sup>6</sup> It is for that reason that I warn that some of the additional cuts in weapons, forces, and other Department of Defense expenses proposed below may be needed simply to comply with the initial budget caps of the 2011 Budget Control Act that were already in the books as of February 2013 (before sequestration). Just to “tread water,” in other words, the Pentagon needs real budget growth of 1 to 2 percent, above the rate of inflation.

Some might quarrel with this, wondering why very large reductions are not possible for a military that has nearly doubled its real spending since 9/11, from around \$400 billion in 2001 to around \$700 billion annually a decade later and now some \$650 billion (expressed in 2013 dollars). The answer is that, of that \$300 billion in real growth in the annual budget, more than half was for wars that are ending (with resulting budget cuts already well under way). Of the remaining \$125 billion or so, some was eaten up by higher per capita costs in areas such as health care. And about half of that amount, or some \$60 billion to \$70 billion in annual spending, was needed to reverse the “procurement holiday” that the country had enjoyed in the 1990s. The Reagan buildup had left us with large stocks of new equipment. By the George



Figure 1-4. *Federal Debt Held by the Public, 1940–2023*

Billions of 2013 dollars



Note: Projections begin in 2013. These projections assume the current laws that govern federal taxes and spending do not change (as of February 2013), including sequestration.

Sources: Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2013 to 2023*, February 5, 2013 ([www.cbo.gov/publication/43907](http://www.cbo.gov/publication/43907)).

W. Bush years, that equipment was aging and in need of replacement, so procurement budgets had to go back up. Unfortunately, we have not yet bought enough new equipment to have the luxury of going back to Clinton-era budget levels.<sup>7</sup> There is waste, and room for reform, but the amounts of savings ripe for easy harvest are not as great as some allege.

Such are the arguments in favor of avoiding big new cuts in U.S. defense spending. But of course, that is not the only side of the story. At the same time, it is also true that major American deficit reduction is necessary for the country's long-term strength. Former chairman of the Joint Chiefs of Staff Admiral Mike Mullen, former secretary of defense Robert Gates, and former secretary of state Hillary Rodham Clinton have all identified U.S. deficit and debt levels as major national security threats, and they are all surely right.<sup>8</sup> Mullen has even called the debt

the nation's "biggest security threat."<sup>9</sup> While that claim can be debated, the broader point remains.

Some argue that military spending should be selectively protected, and currently planned cuts even reversed, as part of national deficit reduction efforts. But even from a national security perspective, that argument is problematic. The deficit reduction debate is a difficult one that can only engender political consensus when there exists a sense of shared sacrifice and comprehensive national belt-tightening. That is the lesson of the major deficit reduction efforts of the late 1980s and early 1990s, when taxes and military budgets and domestic spending were all part of the deficit-reduction effort. If some defense hawks were to succeed in excluding the Pentagon budget from the nation's fiscal reform efforts, the most likely outcomes would be a less successful deficit reduction outcome, growing debt, inadequate investment in the nation's economic fundamentals, and over time a weaker country with less national security. This is not to say that defense spending should take it on the chin. The 2011 Budget Control Act mistakenly placed most of the short-term burden of deficit reduction on the back of the Pentagon (as well as domestic discretionary accounts also important for long-term national power, since they fund science, infrastructure, education, and the like). But defense spending cannot be excluded from the deficit reduction effort either.

At a political level, too, the American public is likely ready for a period of less assertive foreign policy. The relative desirability of "wars of choice" probably will be seen—and should be seen—as lower in the future than it may have been in the past.<sup>10</sup> The trick is to reflect this sentiment without going too far.

Some toss around numbers to make their case that the United States either overspends or underspends on defense. These arguments are common, usually among those with a predetermined agenda of either making the defense budget seem high or low.

Those who wish to defend the magnitude of Pentagon spending often point out that in recent decades the military's share of the nation's economy has been modest by historical standards. During the 1960s,

national defense spending was typically 8 to 9 percent of gross domestic product or GDP, declining to just under 5 percent by the late 1970s. During the Reagan buildup of the 1980s it reached 6 percent of GDP before declining to around 3 percent by the late 1990s after the cold war ended. During the first term of George W. Bush, the figure rose and ultimately approached 5 percent of GDP, but is now again headed back down and will soon be just over 3 percent. Seen in this light, current levels, even including wartime supplemental budgets, seem relatively moderate.<sup>11</sup>

On the other hand, those who criticize the Pentagon budget often note that it constitutes almost half of aggregate global military spending, and that American allies contribute another one-third or more of the total.<sup>12</sup> Or they note that recent defense spending levels, attaining at one point \$700 billion a year, exceeded the cold war inflation-adjusted spending average of \$475 billion by about 50 percent (when all figures are expressed in inflation-adjusted 2013 dollars). Or they note that defense spending dwarfs the size of America's diplomatic, foreign assistance, and homeland security spending levels, which total around \$100 billion a year between them.<sup>13</sup>

The numbers games go on. Some defense hawks describe the cuts made under President Obama as already totaling \$1 trillion over ten years (before sequestration). They make that claim by including cuts made prior to the Budget Control Act of 2011—which were in fact not cuts at all but simply a scaling back of plans for growth that the Pentagon had previously assumed. Some defense budget critics go to the other extreme and claim that there have been no cuts yet, even under the initial effects of the Budget Control Act. This too is misleading. In fact, in 2011, 2012, and 2013, defense budgets exclusive of war costs were effectively held constant relative to the year before, without adjustments for inflation.<sup>14</sup> That amounts to a significant real cut in spending, and one that will not be reversed in future years according to current plans (since the budget will grow roughly with the rate of inflation in those future years, but not much more). Again, it is easy to blow smoke—or at least to confuse—in this business.

In summary, the U.S. defense budget is, and will remain, large relative to the budgets of other countries, and relative to historical precedent. Yet at the same time, it is modest as a fraction of the nation's economy in comparison with the cold war era. That means we need to determine the size of any future defense budget cuts based on careful analysis, not hand waving or ideology.

As a matter of grand strategy, the United States needs to address its weaknesses and strengthen its economic, scientific, and societal foundations of long-term power—without jeopardizing short-term international stability in the process. This may be the simplest way to describe the essence of America's challenge in the current era.

### **Core Objectives of U.S. Defense Strategy Today**

As the United States seeks to cut defense spending, it must have a clear sense of what it would mean to go too far in the venture and scrupulously avoid doing so. Irreducible U.S. defense objectives include limiting the spread of nuclear weapons, protecting the global commons while deterring the rise of powers that might challenge today's generally stable international system, and preventing crises or conflicts from metastasizing into large regional wars in strategically crucial parts of the world. These are high-level, broader goals of grand strategy (as reflected in the National Security Strategy, authored by the White House). At a still greater level of specificity, American military strategy must seek to do the following (and should be reflected in the National Military Strategy, a Pentagon document, as well as the Pentagon's upcoming 2014 Quadrennial Defense Review):

- Responsibly end the nation's current war, with sustained modest commitments to Afghanistan thereafter for what could be an extensive period;

- Deter an assertive Iran in the broader Persian Gulf and Middle East;

- Preserve stability in East Asia in the face of major structural changes due to the rise of China;

—Through exercises, joint planning, integration of forces, and collaboration in missions when they arise, keep a sufficiently robust NATO alliance to provide some basis for global action by a community of democracies, while reducing whatever remote risks remain of Russia again becoming threatening;

—Maintain enough combat capability to wage one substantial, extended regional war in key strategic locations (for example in Korea, even though such a war is quite unlikely), while also carrying out perhaps two smaller operations at the same time;

—Retain a reliable, safe nuclear deterrent that is the equal of Russia's and superior to China's, even as the United States pursues lower force levels through arms control, as well as reasonable capabilities for missile defense;

—Maintain a strong all-volunteer military, with quality of personnel comparable to that of recent years;

—Retain the world's best scientific and defense industrial base; and

—Maintain some capacity to help stop genocide and other mass atrocities as part of a coalition, since America's values are part of what helps it hold together a large network of nations in common strategic cause.

This list seems very extensive, but it has limits. For example, preparing for large-scale war in Europe is no longer necessary even as a remote contingency. The improved European security environment is mostly due to the fact that while Russia is not a completely friendly or benign power, it is not a military threat to the United States or its major allies. Scenarios involving possible Russian attacks on countries like Georgia, as in the 2008 war, are not good candidates for direct American or NATO intervention.<sup>15</sup> The idea of actual war between the United States and Russia is not a reasonable basis for American defense planning. Sanctions and diplomacy are more reasonable and appropriate tools for any future serious disagreements that may occur with Moscow. American conventional force planning has already largely moved beyond contingencies involving Russia, however, so apart from some economies on the nuclear front, this is not an area offering large potential savings.

Others could still argue that the above list of requirements is too long. They might assert, for example, that the United States need not focus as intently on the Middle East as in the past, especially since the boon in North American energy production may make this continent energy-independent within a decade or so. But in addition to the fact that a number of key American friends are found there, the Middle East remains the location of more than a quarter of today's global oil production and more than half of world oil reserves.<sup>16</sup> And the global oil market is interconnected and interdependent. Creative strategies for greater burden-sharing in protecting Gulf oil are appropriate, and are discussed in the pages below; U.S. disengagement from the region is not appropriate.

The rest of this book is an effort to show how the United States can remain resolute and firm in commitment to the above core list of defense priorities while looking to save money in other ways. Some of the recommended approaches would assume a certain amount of increased military risk, to be sure, but the analysis is designed to look for savings that would minimize that risk and keep it within tolerable bounds.

### Box 1-1. *American Strategic Assets*

The United States is still the world's top economic power, with more than 19 percent of global gross domestic product (GDP) in 2011 even when purchasing power parity methods are employed.<sup>1</sup>

The United States leads a global alliance system of more than sixty partner states that collectively account for more than 80 percent of total global military spending.<sup>2</sup> That U.S.-led system includes the NATO alliance, bilateral alliances in East Asia and the Western Pacific, the Rio Pact in Latin America, and American security partnerships with Taiwan, Israel, and the Gulf Cooperation Council.

America's nemeses and potential adversaries—Iran, North Korea, Venezuela, Syria, and one or two other such countries—collectively account for 1 to 2 percent of global economic output and a similar fraction of global military power.

U.S. demographics, including its appeal to immigrants and melting-pot traditions, are more favorable than those of almost any other country.<sup>3</sup> Would-be rivals like China, Russia, and India all have far less favorable demographics. The first is afflicted with overpopulation, combined with the resulting one-child policy that promises huge economic challenges within a generation.<sup>4</sup> Russia suffers from underpopulation. India is already hugely challenged by the size of its still-growing population and is hardly an American nemesis in any event.

American universities are still the best in the world. One recent survey estimates that twenty of the world's top fifty institutions of higher learning are on U.S. soil.<sup>5</sup>

Regarding research and development spending, the United States still accounts for nearly one-third of the global total. U.S. spending of \$400 billion annually, according to the latest figures, easily outdistances all of Europe combined and is still more than twice the research levels of either China or Japan.<sup>6</sup> Americans no longer obtain the outright majority of world patents, but they do still receive almost half the total despite being only 5 percent of global population.<sup>7</sup>

High-tech American industries like aerospace, pharmaceuticals, and software development remain robust, with the United States typically producing 20 to 50 percent of global output in these areas of innovation and production. Indeed, in the broad category of knowledge- and technology-intensive industry, the United States leads the world—not only in total production but in the percent of its manufacturing output associated with such advanced goods.<sup>8</sup>

The World Economic Forum still rates the United States eighth in the world in overall competitiveness—and second among major, large powers after Germany, with only the small states of Switzerland, Sweden, Singapore, Finland, and the Netherlands outscoring it. By comparison, China comes in at position 29, and Turkey, Brazil, India, and Russia at positions 43, 48, 59, and 67, respectively.<sup>9</sup>

1. International Monetary Fund, *World Economic Outlook 2012* (October 2012), p. 179 ([www.imf.org/external/pubs/ft/weo/2012/02/pdf/statapp.pdf](http://www.imf.org/external/pubs/ft/weo/2012/02/pdf/statapp.pdf)).

2. International Institute for Strategic Studies, *The Military Balance 2012* (Oxfordshire, England: Routledge, 2012), pp. 467–73.

3. Joseph S. Nye Jr., *The Future of Power* (New York: Public Affairs, 2011), pp. 189–90.

4. Feng Wang, “China’s Population Destiny: The Looming Crisis,” Brookings, September 2010 ([www.brookings.edu/articles/2010/09\\_china\\_population\\_wang.aspx](http://www.brookings.edu/articles/2010/09_china_population_wang.aspx)).

5. *U.S. News and World Report*, “World’s Best Universities 2012” ([www.usnews.com/education/worlds-best-universities-rankings/top-400-universities-in-the-world?page=3](http://www.usnews.com/education/worlds-best-universities-rankings/top-400-universities-in-the-world?page=3)).

6. National Science Board, *Science and Engineering Indicators 2012* (Arlington, Va.: National Science Foundation, 2012) ([www.nsf.gov/statistics/seind12/c4/c4s8.htm](http://www.nsf.gov/statistics/seind12/c4/c4s8.htm)).

7. Darrell M. West, *Brain Gain* (Brookings, 2010), p. 129.

8. National Science Board, *Science and Engineering Indicators 2012*, chapter 6 ([www.nsf.gov/statistics/seind12/c6/c6h.htm](http://www.nsf.gov/statistics/seind12/c6/c6h.htm)).

9. Klaus Schwab, ed., *The Global Competitiveness Report 2012/2013* (Geneva, Switzerland: World Economic Forum, 2012), p. 15 ([www.weforum.org/reports/global-competitiveness-report-2012-2013](http://www.weforum.org/reports/global-competitiveness-report-2012-2013)).

### Box 1-2. *American Strategic Liabilities*

Prior to the 2011 budget deal between President Barack Obama and Congress (the Budget Control Act), debt held by the public was headed toward 100 percent of GDP and beyond by decade's end—a figure previously experienced only in the 1940s—with long-term budgetary and demographic trends offering no natural respite from this dilemma. Even with sequestration-scale cuts in spending, publicly held debt is expected to remain at its current level of about 75 percent of GDP over the next decade.<sup>1</sup>

The U.S. gross savings rate is now about 13 percent of GDP, just over half the global average. Europe and Japan average closer to 20 percent, and the newly industrializing countries of Asia closer to 30 percent.<sup>2</sup>

Consider traditional manufacturing sectors. As of 2011, China produced 18.4 million motor vehicles, compared to the U.S. total of 8.6 million and Japan's 8.4 million (with Germany fourth at 6.3 million and South Korea fifth at 4.7 million). A decade earlier, it was America in the top spot, making 12.8 million vehicles with Japan second at 10.1 million, Germany third at 5.5 million, France fourth at 3.3 million, and South Korea, Spain, and Canada all ahead of China.<sup>3</sup>

Shipbuilding is now dominated by China as well as South Korea and Japan. The United States barely shows up on global production tables.<sup>4</sup>

Overall manufacturing output as a percent of U.S. GDP declined from 21.2 percent in 1979 to just 11.7 percent three decades later.<sup>5</sup>

The country's overall public school performance is mediocre by global standards. The United States ranks forty-seventh among all countries in secondary school enrollment, forty-seventh in math and science education, twenty-eighth in overall educational quality, and twenty-fourth in Internet access in school, according to the World Economic Forum.<sup>6</sup>

While the World Economic Forum does rate the United States eighth overall in competitiveness, this is despite a number of serious weaknesses. Looking across various subcategories, the Forum rates the United States only 41st in the world in the strength of its institutions, 14th in the quality of its infrastructure, and a remarkably poor 111th in macroeconomic fundamentals.<sup>7</sup>

1. Congressional Budget Office, *The Budget and Economic Outlook, Fiscal Years 2013 to 2023*, February 5, 2013, p. 9 ([www.cbo.gov/publication/43907](http://www.cbo.gov/publication/43907)).

2. International Monetary Fund, *World Economic Outlook 2012* (October 2012), pp. 216–17 ([www.imf.org/external/pubs/ft/weo/2012/01/pdf/text.pdf](http://www.imf.org/external/pubs/ft/weo/2012/01/pdf/text.pdf)).

3. International Organization of Motor Vehicle Manufacturers, “Global Vehicle Manufacturing 2000–2011,” Paris, France, 2012 ([oica.net/category/production-statistics](http://oica.net/category/production-statistics)).

4. Shipbuilders' Association of Japan, “Shipbuilding Statistics,” March 2010 ([www.sajn.or.jp/c/statistics/Shipbuilding\\_Statistics\\_Mar2010.pdf](http://www.sajn.or.jp/c/statistics/Shipbuilding_Statistics_Mar2010.pdf)).

5. Executive Office of the President, *Economic Report of the President 2012* (Washington, 2012), Table B-12 ([www.whitehouse.gov/sites/default/files/microsites/ERP\\_2012\\_Complete.pdf](http://www.whitehouse.gov/sites/default/files/microsites/ERP_2012_Complete.pdf)).

6. World Economic Forum, *The Global Competitiveness Report 2012–2013* (Geneva, Switzerland, 2012), p. 361.

7. Klaus Schwab, ed., *Global Competitiveness Report 2012/2013* (Geneva, Switzerland: World Economic Forum, 2012), p. 17.