Myth Of Decline: U.S. Is Stronger and Faster Than Anywhere Else

Listen, the U.S. is better, stronger, and faster than anywhere else in the world.

by [Daniel Gross](#) | **April 30, 2012** 1:00 AM EDT

Video of Author summarizing the article here:
http://www.thedailybeast.com/newsweek/2012/04/29/myth-of-decline-u-s-is-stronger-and-faster-than-anywhere-else.print.html

On Aug. 5, 2011, when Standard & Poor's stripped the United States of its AAA credit rating, it was the latest in a string of economic humiliations for the U.S. After the failure of Lehman Brothers in the fall of 2008, the globe's longtime economic leader suffered its deepest and longest economic contraction in 80 years. Its markets were scythed in half, and Washington's political paralysis spooked investors. Most distressing were the numbers: annual deficits over $1 trillion, 8.75 million jobs lost, $4-per-gallon gasoline.

Given the magnitude of the economic fall, it's no surprise that declinism quickly emerged as the time's chic intellectual pose. Left and right, highbrow and lowbrow, ideological and pragmatic, historians and futurists—all came to an agreement: the U.S. had a very slim hope of recovering from its self-inflicted blows. The lion was now a lamb, shorn of aggression and vitality, unable to compete with rivals like China. Much like Japan, which has endured two decades of stagnation and misery since its real-estate bubble popped in the late 1980s, the U.S. had fallen and couldn't get up.

As is frequently the case, however, the conventional wisdom is wrong. The U.S. economy suffered a wipeout in the Great Recession of 2008–09, much like 1970s icon Steve Austin. Austin, played by Lee Majors, was an astronaut who crashed to Earth and then was rebuilt with typical American optimism. "We can rebuild him," the voice-over for the opening of *The Six Million Dollar Man* intoned. "Better than he was before. Better, stronger, faster." Like the world's first bionic man, the U.S. economy has come back—better, stronger, and faster than most analysts expected, and than most of its peers.

In fact, the lows of March 2009 marked the beginning of an unexpected recovery—not the beginning of an era of irreversible stagnation. The U.S. economy went from shrinking at a 6.7 percent annual rate in the first quarter of 2009 to expanding at a 3.8 percent annual rate in the fourth quarter of that year—a turnaround unprecedented in modern history. The stock market has doubled since March 2009, while corporate profits and exports have surged to records. The U.S. economy has regained its 2007 peak, and is now growing at a 3 percent annual clip—a more rapid pace than any other developed economy. The crucible of the recession forged an economic structure that is more resistant to shocks than the brittle vessel that shattered in 2008. Meanwhile, Europe continues to grapple with insoluble banking and sovereign debt crises, and developing-economy juggernauts like China and Brazil are showing signs of cracking.

It’s clear that the story of America’s recovery—unsatisfying and problematic as it has been—isn’t a Hollywood tale. Rather, it rests on an understanding of its core competencies and competitive advantages: attitudes and capabilities that, even in this age of globalization, remain unique. Contrary to the declinists’ view, global growth has not been a zero-sum game for America’s economy.

A rapid, decisive, and sufficiently effective policy response was the precondition for a return to growth. It took the U.S. just 18 months to conduct the aggressive fiscal and monetary actions that Japan waited 12 years to carry out after its credit bubble burst. But America’s recovery since then has been fueled by a resilient and nimble private sector. Rather than sit around and wait for salvation, U.S. companies quickly moved to restructure operations and debt. Business bankruptcy filings spiked from 28,322 in 2007 to 60,837 in 2009—an increase of 115 percent in two years. In 2009 a record 191 U.S. companies, with a combined $516 billion in debt, defaulted on their bonds.

Photos: 8 Recession Success Stories

Bill Pugliano / Getty Images

But financial failure in the U.S. gets worked out much more quickly than it does elsewhere. GM and Chrysler each spent a mere 40 days in Chapter 11 after filing for bankruptcy in the spring of 2009. In their brief sojourns in Chapter 11, they ripped up contracts, shucked benefits, lopped off $109 billion in liabilities, and established new, profitable business models. The third member of the Big Three, Ford, was more impressive—and exemplary. Eschewing a bailout, Ford ground out a recovery by embracing foreign markets, aggressively cutting costs, investing for growth, and paying down billions of dollars in debt. After hitting a nadir of $1.59 in February 2009, its stock rallied to $18 in January 2011—an 11-fold rise. By the end of 2011, Ford had reinstituted its dividend and stood on the cusp of regaining an investment-grade rating.

Rather than sink deeper into a financial morass, the American private sector emerged better: better equipped to meet obligations, to save, to invest, to spend, and, ultimately, to grow. Pretax corporate profits rose from $1.25 trillion in 2008 to $1.8 trillion in 2010, and to $1.94 trillion in 2011. And rather than throw in the towel and surrender to Chinese competitors, U.S. companies figured out how to get more out of existing resources.

From the fourth quarter of 2008 to the fourth quarter of 2009, productivity rose 5.4 percent. And it rose an impressive 4.1 percent in 2010. At businesses big and small, memos went out about using fewer paper clips, printing on both sides of the paper, and canceling newspaper subscriptions. Thanks to the work of efficiency-seeking engineers, UPS squeezed more deliveries out of existing resources by eliminating left turns from trucking routes. The typical passenger car sold in 2010 averaged 33.9 miles per gallon, up from 30.1 in 2006.

Companies that made a business of helping other people save money thrived during the recession. BigBelly Solar, a startup in Newton, Mass., manufactures solar-powered trash compactors that send text messages when they're full. They enable cities and colleges to cut costs on garbage collection by up to 75 percent. Sales of the $4,000 units, which are made in the U.S., doubled every year between 2008 and 2010.

Photo Illustrations by Darren Braun for Newsweek

For U.S. companies, focusing on efficiency and productivity has been the equivalent of a runner strengthening her core. But companies now run farther and faster because of their ability to engage external forces. Declinists believe that the structural forces transforming the global economy are arrayed against us. But in fact, many of them work in America's favor.

The U.S. remains the largest, richest, most secure market in the world, full of valuable resources. That's why it continues to lead the world in foreign direct investment (FDI). In 2010, FDI rose to $194.5 billion from $135 billion in 2009, and stood at $155 billion through the first three quarters of 2011. The Japanese retailer Uniqlo in October 2011 opened its three-story, 89,000-square-foot flagship store on the corner of Fifth Avenue and 53rd Street in Manhattan. The lease it signed—$300 million for 15 years—is the most expensive retail lease in New York's history. When news broke in December 2011 that former Citigroup CEO Sandy Weill had sold his apartment at 15 Central Park West for the unprecedented price of $88 million, experts wondered which Russian oligarch was behind the purchase. It was fertilizer magnate Dmitry Rybolovlev, who bought it for his 22-year-old daughter.

To hear declinists tell it, the U.S. doesn't make anything anymore. Well, yes, except for the $180 billion in goods and services Americans export every month. Outside the U.S., there are 6.6 billion people with generally rising living standards who are willing and eager to buy what Americans are selling. Since bottoming in April 2009 at $124 billion, monthly exports have risen nearly 50 percent. In 2010, when the economy added 1.03 million new jobs, the number of jobs supported by exports rose by 500,000, from 8.7 million to 9.2 million.

More people around the world are eating better, which is good, because the U.S. is to food what Saudi Arabia is to oil. Agricultural exports hit a record $115.8 billion in 2010, and in 2011 soared to $136 billion—nearly double the 2007 total. In a modern-day analogue of carrying coals to Newcastle, the U.S. ships beef to Brazil, rice to Japan, and soybeans to China ($9.19 billion worth in 2009 alone). Total exports to China soared from $41.2 billion in 2005 to $104 billion in 2011.

"Every unit that gets manufactured in this site this year is going to be exported," General Electric CEO Jeff Immelt told employees at the company's gas-turbine plant in Greenville, S.C., in the spring of 2011. I accompanied Immelt as he walked through the immaculate factory. The 2011 production schedule called for 90 such electricity-generating units, at about $25 million each. Small companies have transformed into export powerhouses, as well. Wallquest, a family-owned high-end wallpaper company outside Philadelphia, saw exports rise from 35 percent of sales in 2009 to 65 percent in 2010, as orders streamed in from Russia, Saudi Arabia, and China.

Increasingly, foreigners don't just buy the stuff Americans make. They buy only-in-America experiences—like higher education. Since 1972 the number of foreign students has risen every year, with the exception of the three years after 9/11. A record 690,923 foreign students enrolled in the 2009–10 academic year, according to the Institute of International Education. "In the countries that are thriving, there's increasing interest from families who want access to the American higher-education system and are in a position to pay for it," said Stephen Schutt, president of Lake Forest College, a small liberal-arts college near Chicago (tuition: $38,320). Schutt spent his 2011 spring break in China, visiting secondary schools. Of the 410 students who matriculated in the fall of 2011, 63 (or 15 percent) hailed from 33 countries. Every tuition dollar is an export.

Tourism has boomed in the age of decline, too. Those lines of people with funny accents clogging up the lines at Disneyland? They represent exports just as valuable as the bushels of grain being loaded onto container ships in Los Angeles. In 2010, a record 59.8 million international visitors came to the U.S., up 8.7 percent from 2009. That year, tourism was a $134.5 billion export industry.

Increasingly, U.S. companies are meeting global consumers where they live. Whether it is Starbucks in Turkey, Mary Kay in China, Taco Bell in India, or an American medical school in the Persian Gulf, U.S. business concepts travel remarkably well. In 2010, for the firms in the S&P 500 stock index that broke out such results separately, 46.3 percent of revenues came from outside the U.S., up from 43.5 percent in 2006.

By 2015, market-research company J.D. Power projects, the world's drivers will purchase 103 million light vehicles per year, and 84 percent of those sales will take place outside U.S. borders. Last November, I went to Shanghai to visit a car plant that wouldn't seem out of place in Ohio. It belongs to GM Shanghai, a joint venture of General Motors and the Chinese car company SAIC. Here the revived car company is reviving a brand, Buick, that has been left for dead in America. Buick is tapping into a long legacy in China; it is commonly noted that the last emperor owned one. The Buick Excelle, a small vehicle modeled on the Chevrolet Cruze, is a high-volume product: 200,000 are made each year in

China. “We’re fully loaded here,” plant manager David Gibbons told me. In the third quarter of 2011 GM sold 620,000 vehicles in China, compared with 555,000 in the U.S.

The ways in which U.S. companies continue to gain traction—even at a time when the economic prospects of the U.S. seem dim—was driven home to me by my experience at the World Economic Forum in Davos, Switzerland, in January. I attended a luncheon and a dinner where the elites hung on every word uttered by Sheryl Sandberg, the chief operating officer at Facebook. At the hottest ticket—the Google party—the crowd was entranced. Once past the velvet ropes, status-hungry attendees were alternately checking out the name tags that hung around people’s necks and looking lovingly ... into their iPhones.

High in the Alps, at a confab where American decline is a perennial theme, where new models of dynamism are thought to emerge from everywhere but America, the most significant presences were U.S. companies. Apple and Google are the nation’s second- and ninth-largest companies by market capitalization, with a combined value of nearly $600 billion. Facebook has been valued at more than $100 billion. Yet in 2002, none of these companies existed in anything like their current form. Their combined market cap was a few billion dollars, consisting mostly of Apple, an also-ran personal-computer maker. Google was a piece of code. Mark Zuckerberg was just entering Harvard.

All three gained mass and scale during the long expansion of the 2000s, but took off in the years after the Lehman crash. Today, they are iconic magnets of human capital. They represent American economic dynamism the way Chevrolet and McDonald’s once did. Sure, they employ relatively modest numbers of people. But their economic significance lies in the fact that they’ve created platforms for other businesses, industries, and entrepreneurs to create new economic arrangements. Think of what iTunes has done for the publishing, music, and entertainment industries.

Photo Illustration by Darren Braun for Newsweek

The U.S. is losing primacy in geopolitics, but it remains the indispensable economic nation. The systems that American companies have invented are being put to vital use. Egypt’s pro-democracy activists organized on Facebook. Syrian dissidents make videos of clashes with the Army on iPhones and upload them for the world to see on YouTube. Highly productive American farmers are feeding the world. Planes manufactured by Boeing provide mobility to people in Africa.

It's easy to look at the record of the past few years and despair. The U.S. has a very long way to go to make up for lost ground in housing and, especially, in jobs. The resurgence of the corporate sector, which provides ample reason for optimism, hasn't translated into new positions for the legions of unemployed. But here, too, there's positive news. Since February 2010, the private sector, which accounts for 83 percent of all employment, has added nearly 4.1 million jobs, or about 160,000 per month. That's not sufficient, but it's a sign that the jobs machine is clearly working again. The public sector has been the sole source of job loss: austerity-minded government entities have cut a million jobs since 2010. But the sharp reductions have come to a halt.

In the months since the Lehman debacle, the U.S. has no more lost its ability to grow and innovate than reality-TV producers have lost their ability to coax skanky behavior out of New Jersey's youth. And despite all the headwinds, there's no reason the expansion that started in July 2009 can't go on as long as the previous three, which lasted 73 months, 120 months, and 92 months, respectively. **When the definitive history of this period is written, it is possible—no, likely—that this post-bust era will go down not as a time of economic decline, but as one of regeneration.**