

American Imperialism Revisited from an Economic Perspective

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Introduction

Why are nations established? Similar to a sort of a social contract, perhaps it is an attempt to set up an entity that surpasses humans for the purpose of giving that entity, for example, the power to impose the death penalty or to collect taxes. If that is the case, what are the reasons for doing so? In relation to what issues do people have expectations or desires for something to be executed through coercive power such as tax collection or police authority? Considering whether or not coercive power is necessary for all citizens to become affluent, or what coercive power is necessary for, it seems that income distribution is an important issue. Capitalism succeeds. The problem that always arises during the process of growth is the question of whether to place the priority on economic growth or on redistribution.

It seems that the elections in Japan today can be described as the battle between a political party that raises the banner of growth based on cash flow business and a political party that mainly stresses a redistribution policy. In the United States, the elected President Obama's campaign was rather more conscious of redistribution while Romney focused on growth. In Korea, also a believer in growth, the elected President Park Geun Hye is willing to more or less take it easy on plutocrats for the sake of growth. On the other hand, her opponent Moon Jae-in stressed redistribution during the election campaign period.

Should a nation seek the grand objective of strong growth or the objective of redistributing the fruits of growth in a way everybody agrees to be fair? Historically, this question appears in different stances in the form of shifting priorities. For example, China currently places importance on growth above everything else, and is growing by aspiring to become affluent wherever or in whatever area it can. There is a strong awareness of political implications

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regarding the spread of a disparate society. However, it seems that the Chinese political leaders believe that it is not yet the time to directly deal with that issue.

However, it is highly probable that existing priorities will eventually be replaced when the time comes and that the priority will shift to redistribution, even if growth is somewhat inhibited in light of the fact that without redistribution there will be no new growth. There is no way of knowing whether this shift will come about peacefully or violently. If anything, I believe the issue that must be placed in the hands of an entity surpassing human abilities with coercive power is the issue of redistribution.

I will now introduce an extremely bold hypothesis. The GINI coefficient measures the level of inequality in income distribution within a society. A higher coefficient corresponds to a higher level of inequality, and the closer the coefficient is to zero, the closer the society is to being perfectly equal. The domestic GINI coefficients of countries around the world are usually in the range of 0.3–0.4, and as such the calculated coefficients do not hold much meaning. However, when the global GINI coefficients are calculated by likening each nation, for example, US, Japan, or China to a person, and likening gross domestic product (GDP) per capita to the income of that “person,” the resulting coefficients are mostly in the range of 0.6–0.7. Put differently, the disparity between the rich and the poor in the world is much larger than the disparity between those two groups of people within any one nation. In my opinion, one of the benchmarks on whether or not a single power in the form of a world government is needed is the issue of how long the world can tolerate this disparity.

I: American Dominance in the Global Economy

Regarding American dominance, what are the instruments for measuring the

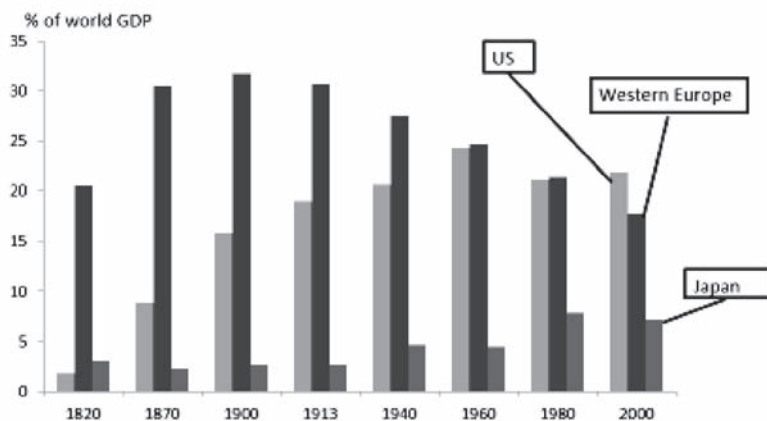


Fig. 1 World GDP Share

American influence in the world?

Figure 1 shows the world GDP share of the United States, Western Europe, and Japan from 1820 to 2000. Following the end of the industrial revolution in Western Europe, the region's share peaked around 1900 and decreased thereafter. Meanwhile, US's share equaled that of Western Europe around 1960; i. e., the economy of a single country, the US, equaled the combined economy of the 12 countries of Western Europe.

This period of time corresponds with the period of time referred to as the First Stage of American Imperialism. What was the source of power in the background of this imperialism? It makes sense that this period was regarded as such if –in addition to population, philosophical influence, and political influence– economic influence was in the background. It is not difficult to understand that there were cries against “American Imperialism” or “American Hegemony” in Europe regarding these circumstances.

In other words, my understanding is that in the background of the First Stage of American Imperialism was the upward phase in US from the end of the 19th century through the mid-20th century.

Moving on, how much influence does the US currently have on the global economy? Looking at the exports of various countries around the world, the US has the highest share in the world in terms of exports from a single country, followed by China and then Germany. Furthermore, the US also has the highest share of Foreign Direct Investment (FDI) in the world, although its share is gradually decreasing. In sum, the payment made in foreign countries by American companies is extremely high. Thus, this fact also lends strength to the American imperialism theory.

Figure 2 compares GDP in terms of the FDI of each country. Though this is a limited comparison featuring only Japan and the US, it is obvious that direct investment activities are much more dynamic in the US. Furthermore, it is clear

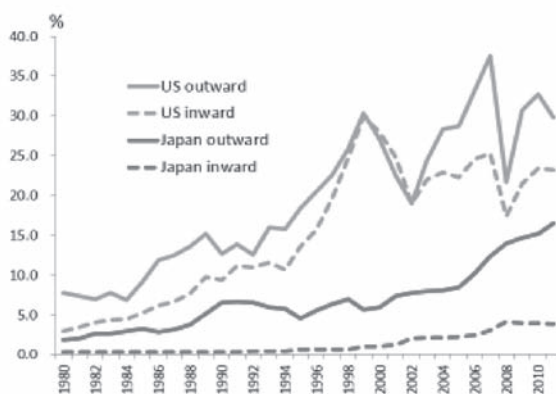


Fig. 2 FDI as % of GDP

from the US's share of direct investment in the world that exports by American companies and capital to countries around the world. Meanwhile, although Japan's outward direct investment is slowly increasing, the amount is still about half of that of the US. Furthermore, Japan's inward direct investment is significantly low. This can also be interpreted as data demonstrating American dominance.

As a result of continuous direct investments of a couple of hundred million dollars, property such as plants and companies has accumulated. Looking at the amount of FDI stock (Fig. 3), the amount of America's possession is outstandingly high. Thus, American companies hold the world's highest share of property in foreign countries. That is the extent to which other countries are feeling the presence of America in their own countries. Of course, such property includes McDonald's and Starbucks. In this manner, American dominance is observed around the world, even today in the 21st century.

However, I am not certain whether this dominance is used as the Merkmal of imperialism.

Meanwhile, looking at the share of gains (net income) from investment items in the GDP of each nation, the net income rate from outward investments in GDP is higher in Japan than that in the GDP of the US. In other words, though the amount of outward investment by American companies is large, when compared to the net income rate, it is actually not that significant.

This is an era in which the concepts of empires and hegemony are linked to globalization. To what degree then is America globalized? Table 1¹ shows the Index of Globalization for 2012. This index is released annually by a research

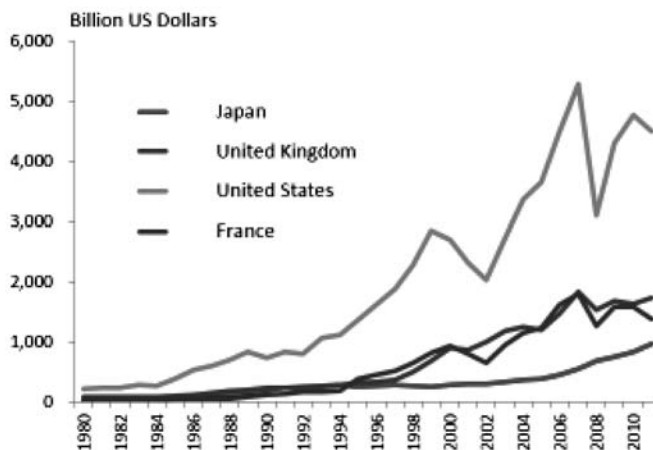


Fig. 3 FDI Outward: Stock

1. <http://globalization.kof.ethz.ch/>

institute of Eidgenössische Technische Hochschule Zürich (ETHZ).

As for economic globalization, which refers to the degree of globalization in terms of a country's economy, Singapore ranked at the top among approximately 200 countries, the United States ranked 79th, and Japan ranked 120th, making it faster to find Japan from the bottom of the list. For social globalization, the US ranked 29th and Japan 51st. As for political globalization, the US ranked 22nd and Japan 33rd. Belgium ranked top in the overall globalization index and the US, Japan and China ranked 35th, 55th, and 73rd, respectively.

Far from being at the top, the US took 35th place. It is a rash conclusion to assert that the US is extremely globalized, that it is a global great power, and that therefore various elements including its business methods, political thought, and pop culture are enhancing its influence. Put differently, a combination of a variety of elements –including inventions of human minds, economic strength, geopolitical position and population size– is creating an image of a sort of a major country. I assume no one would doubt that the US is a major country. However, it is not at the top of the world.

II: America's Involvement in International Organizations

Looking at the number of soldiers contributed to the United Nations (UN) peace keeping operation,² Japan, contributing 527 soldiers, was ranked 37th among the other countries while the United States, contributing only 136 soldiers,

Table 1 KOF Index of Globalization

Globalization Index		Economic Globalization		Social Globalization		Political Globalization	
1	Belgium	1	Singapore	1	Cyprus	1	Italy
14	UK	26	UK	10	France	2	France
18	France	44	Germany	11	UK	6	UK
22	Germany	45	France	16	Germany	17	Germany
35	US	79	US	29	US	22	US
55	Japan	84	Korea	51	Japan	32	Korea
60	Korea	107	China	93	China	33	Japan
73	China	120	Japan	103	Korea	41	China

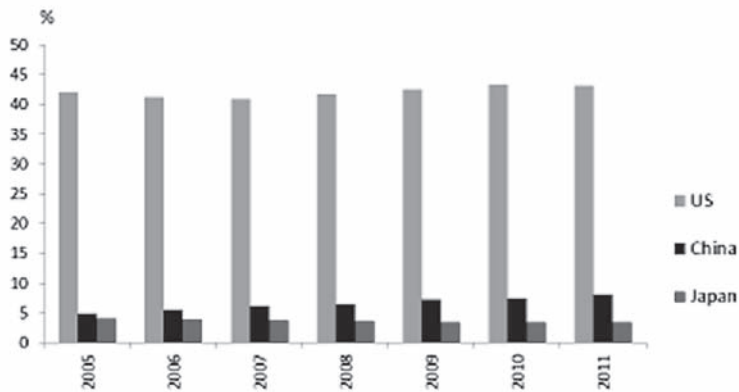
KOF (Business Cycle Research Institute) , Swiss Federal Institute of Technology in Zurich

2. UN Peacekeeping, Troops and Police Contribution, in October, 2012.
<http://www.un.org/en/peacekeeping/resources/statistics/contributors.shtml>

was ranked 58th.

On the other hand, the Stockholm International Peace Research Institute Database (Fig. 4) on military expenditures shows that US has by far the highest share in the world total. China's military expenditure is nowhere near that of US. In this sense, it can be said that America's military strength is in the background of the country's hegemony and presence.

Table 2 shows the extent of monetary contributions from countries to international organizations. Followed by Japan, the US ranked at the top for IMF "Quota" while China ranked in at the 6th place. Identically, the US was at the top, Japan 2nd and China 6th regarding the amount of subscriptions to the International Bank for Reconstruction and Development (IBRD). The US also provided the highest amount in UN contributions and Japan came in second. For all types of international monetary contributions, Japan was in second place. This does not mean that Japan is a hegemon. Still, when looking at this table alone, it also cannot be said that the world is controlled by the US.



Data: Stockholm International Peace Research Institute Database

Fig. 4 Military Expenditures: Share in the World Total

Table 2 Monetary Contributions

	IMF Quota (% of Total)		IBRD Subscription (% of Total)		UN Contribution (% of Total)	
1	US	17.7	US	16.4	US	22.0
2	Japan	6.6	Japan	9.6	Japan	12.5
3	Germany	6.1	Germany	4.8	Germany	8.0
4	France	4.5	France	4.3	UK	6.6
5	UK	4.5	UK	4.3	France	6.1
6	China	4.0	China	3.5	China	3.2

What then are the criteria for the judgment of “American Hegemony” or the “American Empire”? It seems that the arguments of intellectuals have become established theory. Economists often assert that proof should be provided. I have consulted a wide range of data and it is still unclear to me what the assessment of American Hegemony or the American Empire is based on.

III: Future Prospects

The Organization for Economic Co-operation and Development (OECD) has released its forecast of world GDP from 2012 through 2060. According to the organization’s forecast, US real GDP will continue to rise but the real GDP of China will outshine that of the US around 2016 and the country will move to the top of the world. Moreover, the OECD predicts that China will not be the only one to catch up with the US since India is also belatedly following the path of growth and is estimated to outshine the US around 2050. Furthermore, the organization predicts that world’s economic giants in 2060 will be China, India, the US, Brazil, and Japan. The US is also predicted to be at the top of the world until 2060 in the forecast of GDP per capita released by the OECD; Japan ranking in as the 2nd, China 3rd, followed by Brazil and then India.

Though the OECD has stated that it will release a discussion paper on the details of the methods for the calculations of these forecasts, it is yet to be released and thus the forecasts remain hidden in a black box. However, from my perspective these results do not hold water.

Figure 5 shows the data of my forecast. China will exceed the US in GDP for a period of time, but after that the country’s GDP will decline. The GDP of India



Fig. 5 GDP Forecast by Hayashi

will also grow for a while but then it will decline. The GDP of Japan will start to decline earlier than that of India. However, there is no difference in the order of the countries between the two forecasts: the US at the top, followed by China, India, Japan, and Brazil, respectively. While the OECD forecast extends only to 2060, I produced a forecast extending to 2100.

As for the order of countries by GDP per capita ranking (Fig. 6) based on my forecast, the US ranks at the top, followed by Japan, Brazil, China, and India, respectively. The population is so large in China and India that though the total economy will grow, when the income is divided by the population of the country, the two countries will not be able to overcome what is known as the “middle-income trap.”

The question of whether a larger population or a smaller population contributes to the growth of a country has been debated since the age when the

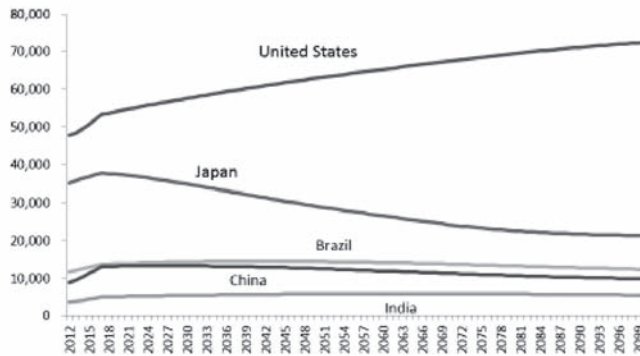


Fig. 6 GDP Per Capita by Hayashi

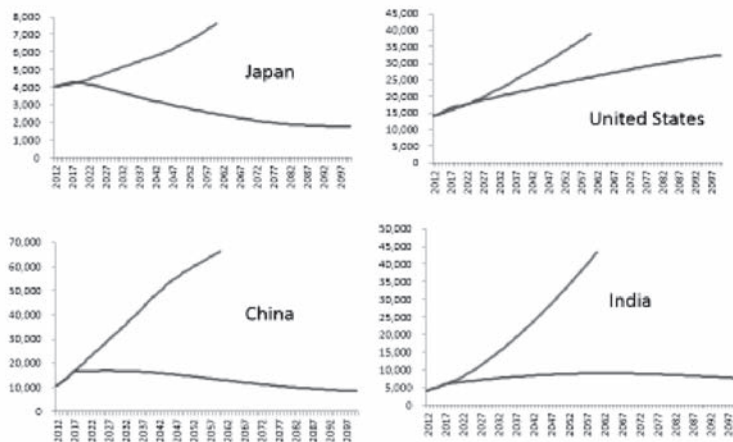


Fig. 7 Two Forecasts Compared

Malthusian theory of population was introduced; however, in terms of China and India, their large populations have a significant meaning as a resource but also work against their growth as GDP per capita does not grow due to the need to feed an overwhelming number of people.

Figure 7 comparatively shows my forecast and the OECD forecast.

Now, from where does the difference between my forecast and the OECD forecast arise?

Born in the United Kingdom, Angus Maddison (1926–2010) served as a Professor of History at the University of Groningen (the Netherlands) and accomplished the great achievement of estimating the population and the real GDP of every part in the world from the year 1 AD to the present day. He made his estimated historical statistics available to the public through his website and continued to remediate the data until his final days.³ While Maddison himself has passed away, I was able to estimate the relation between the population and the GDP per capita for each country based on the historical statistics he left behind. As a result, a very strong correlation was found between the two. Surprisingly, among all countries, the correlation coefficient of Japan was exceedingly high; approximately 0.88. This means that 88% of the variables of GDP can be explained by population. While many economic journalists have written about the conditions that affected Japan’s record period of economic growth after World War II (the Japanese post-war economic miracle), without using any of those conditions, the growth can be predicted just by looking at the population of the time. Population was growing during that period. Moreover, the population was dominated by young people. Thus, the change in a population is the most important variable for obtaining an economic outlook for an extensive period of time. There is no need to look at other variables such as technological

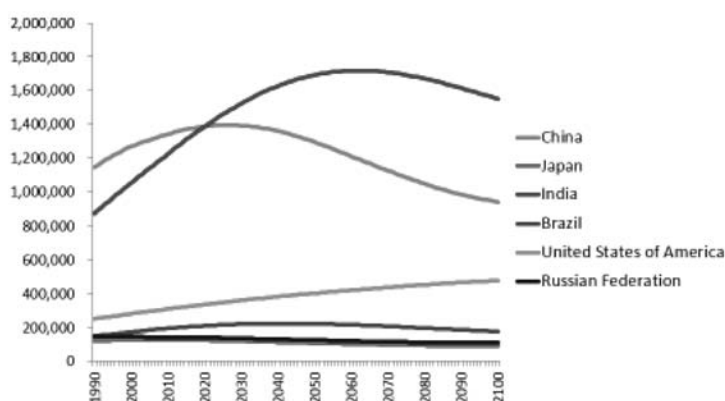


Fig. 8 United Nations Population Prospects

3. <http://www.ggd.net/MADDISON/oriindex.htm>

advancements or social security; growth can be predicted by focusing on population. That is how important population is as a variable.

The UN has produced its population prospects up to 2100 for all countries. It is hard to understand why other researchers and analysts do not use this data to predict future GDP.

According to the UN population prospects (Fig. 8), the population level in Japan reached its peak in 2005 and is currently decreasing. The National Institute of Population and Social Security Research of Japan is also predicting that the currently decreasing Japanese population, which reached its peak in 2005 at 127.7 million, will come down to 90 million by 2055. In other words the population will shrink by approximately 30%. Historically, there has been no country which experienced a reduction of population by 30% over a few decades during peaceful times. For example, there have been cases of temporary population reduction due to the spread of an epidemic or a war. However, there has been no example of a country which experienced a constant population reduction over a few decades.

The closest example would be that of Russia. At the beginning of the 20th century, satellite countries won their independence one by one and the Soviet Union became Russia. Serious social turmoil arose in the former Soviet Union including a decrease in GDP per capita and a rapid rise in the suicide rate. This is perhaps the only exception and no other example of such population reduction has been found. Japan has already entered this phase. The population level in China will also decrease due to the One Child Policy. No country with a decreasing population has experienced economic growth. Of course, this is also the case in India. When considered as a thought experiment, I believe this scenario could well be used as an explanation. In sum, I find the ever-increasing prediction by the OECD to be false.

World population will peak at 2098 and decrease thereon. Up until the 20th century, the world was burdened by the shortage of resources and food caused by population increase or population explosion. However, next in line are the following extremely serious challenges which will arise in the face of decreasing population: What type of political system is needed? What type of peace should be built? What type of economic activities should be implemented? How should people live their lives and what pleasures should individuals pursue?

Considering the issue of American influence from a different perspective, America is actually experiencing a phase of expansion as its GDP and population are still increasing. The energy of expansion is causing clashes and creating a host of issues. What then will become of the American imperialism theory once America enters the phase of downturn instead of expansion? It is difficult to imagine.

IV: Rise of Regionalism

As seen with Japan, where the Trans-Pacific Partnership (TPP) is currently a hot topic, regional trade agreements are being concluded around the world. This shows that such agreements are needed to deal with the circumstances created by the cross-border expansion of economies. Furthermore, capital and intellectual property rights are transferring freely among countries due to the liberalization of trade, and the world is experiencing growing momentum toward realizing co-existence and co-prosperity. What are the geographical implications of this status, or, how far will regional agreements progress as a governing system? For example, from economic integration to political integration, the EU has the momentum to realize co-existence and co-prosperity though it is yet to be fully integrated. However, the range of nations in Asia is too wide to achieve this goal at the present time. Though it has been announced that the Association of Southeast Asian Nations (ASEAN) will unite their economies in 2015, future political integration is not on the agenda. In the first place, political integration in this region is impossible. Therefore, rather than an expansion of a nation-like image with the set of the three elements –the people, the government, and the governing system– of a nation-state, some type of a looser collaborative system is about to be formed. How will this new system be viewed from the perspective of the imperialism theory? In what way will this system be comprehended? These are the two important issues the world is facing today.

Figure 9 shows the GDP of each region. TPP + Japan refers to the case of the US-led TPP with the participation of Japan. The “3” in ASEAN + 3 refers to

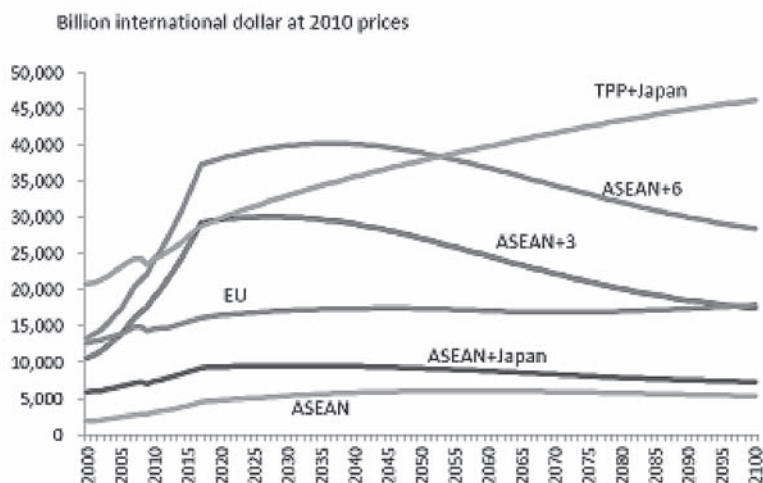


Fig. 9 Projected Real GDP of Regions

Japan, China, and Korea. The “6” in ASEAN + 6 refers to Japan, China, Korea, Australia, New Zealand, and India. Though ASEAN + 6 outruns TPP + Japan for a while, it is outshined by the US once again around the mid-21st century. Once that shift occurs, what roles can be expected to be played by the US?

V: Converging World Hypothesis

Looking at the GINI coefficients of the world economy, we are at the level of inequality in the range of 0.68–0.65. From here the level of inequality decreases and from around the mid-21st century, the speed of growth in advanced economies slows down, and the latecomers quickly catch up. An optimistic outlook offered in relation to this is the convergence hypothesis which maintains that all economies will eventually converge in terms of GDP per capita. Although it is expected that such optimistic hypotheses would be proposed in light of this predicted trend toward global equality, my projection is that after reaching a state of near-perfect equality, the world will once again experience a rise in inequality.

If that is the case, most likely the most important issue would be the fight against the growing level of inequality, including security, during the period when the United States begins to dominate the world economy. When that time comes, I wonder how much power and influence countries around the world will place in the hands of US, and how countries will work together to solve this issue.