

# THE RISE AND FALL OF THE UNITED STATES IN GLOBAL HEGEMONY

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## Abstract

The present paper brings together a comparison of two distinct epochs in the world economic order: the crisis of English hegemony at the end of the 19th century, along with the consolidation of American hegemony at the end of World War II and the contemporary process of the crisis of American hegemony beginning in 2001 and continuing today. This approach is based on a structural perspective of the economy in which the global productive system is transformed across the span of different historical periods, and which along with other elements –such as the global monetary order and political, institutional and military leadership– transforms the economic order and hegemony. Applying this methodology leads to the conclusion that the two periods show various similarities, though there are also profound differences, and that currently the global order is in the process of changing towards multipolarity.

**Keywords:** crisis of hegemony; world economy; multipolarity.

## INTRODUCTION

The objective of this paper is to interpret the rise and fall of the United States of America as a world hegemonic power. To begin with we propose that the process of the American nation's rise is due to the fall of the British hegemony and, in spite of its fall similarly being accompanied by the rise of China, both processes present profound differences. We consider it extremely difficult for America's fall to naturally give way to a Chinese hegemony in the short term, but we do believe that the absolute hegemony of the United States of America has disappeared by way of its own process of decline and the rise of other nations such as China, though Germany and Russia also play an important part.

This leads to our proposing the possibility that the current world is heading towards a multipolar order, with the USA obviously playing an important part. For the analysis of this process of transition it behooves us to approach the process of British hegemonic decline at the beginning of the 20th century in contrast to what is currently happening with the US in the current century.

To carry this out, this work is divided into five sections. In the first we present our theoretical proposal which serves as the basis for analysis; in the second section, we present the causes for the rise of the USA as a world hegemony; in the third section, we present the legacy that the second postwar period had in the makeup of a bipolar order, and the American hegemony in the Western Bloc; in the fourth section, we develop an analysis of the role that China is now playing out in selected world indicators. The research hypothesis consists in proposing the rise of China to the fore of the world stage as having similarities and profound differences with respect to the American rise at the beginnings of the 20th century and that China has great limitations in becoming an absolute world hegemony as the USA was. Lastly, in the fifth section, we will present the conclusions.

## 1. INTRODUCING THE METHODOLOGY

Given its complexity, the length of period we are dealing with, as well as the theoretical extent and the methodological limitations which currently afflict the socio-historical sciences, it behooves us to define the main methodological concepts to be used in at least three points *i)* the structural-systemic baseline; *ii)* the conception of historical periodization, *iii)* the criteria for determining hegemony and its transition.

### **i) Structural systemic aspects**

Following the definitions of Marx, Gramsci and other economists and non-Marxist sociologists. Modern industrial capitalism is understood to be a complex system which is dynamic and open, made up of diverse or interdependent levels, which need to be differentiated analytically in order to better understand the historical processes as well as the modalities and interactions of integration; these levels are the following:

1. a (techno-economic) productive structure, made up of various components such as a mercantile base and a mechanized production of goods and services, capitalist businesses and wage labor; development of science and technology and the financial system; basic infrastructure, the availability of energy, transportation and communications at an international level. A grouping of these elements present themselves in how each nation inserts itself in the world economy, and they will be analyzed with indicators such as share of world GDP and production, foreign direct investments (FDI), share in world exports and the level of public debt. These productive structures make up a dynamic unit which evolves over time based on, among others, the accumulation of capital, the extent and the structure of the market. The analysis of these elements is highlighted in hegemonic studies by authors such as Kennedy (1995) and will serve as a basis for analyzing the process of the economic rise and fall of the USA.
2. a socio-institutional framework based on private property and paid labor free from extra-economic coercion, as the primary base for sustaining a broader and more complex social structure, established in institutions such as the State.
3. each nation's own culture based on historic elements which generate different degrees of cohesion inside each country.

These elements, which are super-structural in nature are proposed by Keohane (1984) and Gilpin (1987) upon analyzing the process brought about an absolute American hegemony in a country so dominating that it exports its institutions (leadership in the UN, WTO, or IMF, and critical elements of its culture, like the so-called *American way of life*).

## ii). Periodization

For the purposes of periodization, we use two types of complementary analytical tools: 1) structural changes in the stages of capitalism over time, taking into account that such stages overlap in the transition from one to another, giving way to substantial changes which affect their relationships and levels of articulation, 2) taking into account the proposals of Arrighi (1999) and Hobsbawm (2004 and 2013), the periodization of the world economy's development as seen from the viewpoint of great changes in the international economy which generate hegemony.

We take into consideration the unique characteristics of the different stages of capitalism: the monopoly and classic imperialism, the Keynesian-Fordism or the current global digital capitalism (Dabat, 2013).

With respect to the periodization of the development of the world economy, the works of Hobsbawm (2004 and 2013), Arrighi (1999), and Arrighi and Silver (2001) are of great help. While Hobsbawm characterizes the 20th century as a "short" period starting in 1914 and ending in 1991; Arrighi considers it to be "long" with a starting point in 1873 and ending in the 1980s.

Hobsbawm goes into great detail, observing that the beginning of the first world war marks the end of a stage in capitalism known as free market in which the British hegemony was clear; starting in 1914 the world entered into a period of transition where the State played an important role throughout the "short century" in the economy as did the USA as a hegemonic country. The bipolar order derived from the second postwar period would be a characteristic element of the century, whose end was marked by the fall of the Soviet regime.

Arrighi on the other hand proposes that the economic crisis of 1873 marked the end of a cycle of economic prosperity which brought about the beginning of the 20th century, in which financial speculation became a central element as substitution method when faced with a fall in profitability. It was not until the crisis of the 1990s when the growth of the financial sector is reclaimed, marking the end of the 20th century. Arrighi and Silver observed the transition of the British hegemony to the American throughout the "long century".

Nevertheless, both proposals are useful in comparing the change of an era in the current world economy and the hegemonic crisis. The proposal of the "short century" by Hobsbawm is the best analytical tool for achieving the goals of this analysis as in his proposal the 20th century starts just as the USA rises to the fore of the world stage and concludes with the end of the Cold War in 1991; what follows is a complex process of great growth in the American hegemony during the 1990s, in what is considered to be the epoch of absolute hegemony for the USA — which only lasted 10 years —, as by 2001, the dot com bubble put an end to American expansion, a moment in which its political and military might were challenged by the attack of 9/11 and a new rival arose at the global level thanks to China's joining the WTO.

## iii) Elements which make up a hegemony

The concept of hegemony necessary implies a comparison between nations. A country can be stronger than it was in the past, but if it is surpassed by another, it is not a hegemony. In this regard, the American hegemony in the period following the second world war, especially in the 1990s, comes from the union of the United States' great advances along with the decline of its competitors: Germany and Japan after the second world war, and the USSR in the 1990s. As such, we propose a set of indicators based on distinguished studies on the subject, which help to evaluate the performance of hegemonic nations.

According to Kennedy (1995 and 1998), Keohane (1984), Gilpin (1987), Nye (2003) and Wallerstein (2007), what we consider great powers are those countries which have: 1) territorial expanse and a richness in natural resources, 2) industrial might, 3) financial might, 4) leadership in science and technology, 5) political and military might 6) cultural leadership, and 7) an international influence based on the international state system or international institutions which have sufficient power to control the destiny of the world or parts of it, be it by themselves or as part of a system of great powers.

Pure economic, scientific, or military leadership is not enough to hegemonize the world, one needs their culture and institutions to be primarily considered as role models by other countries. As we will see next, the transition to the American hegemony entailed all the elements considered by the set of selected authors; nevertheless, the Chinese advance currently lacks various of the proposed elements.

## 2. EXHAUSTION OF THE BRITISH HEGEMONY AND RISE OF THE USA

The British hegemony was based on factors such as the Industrial Revolution, its naval fleet, their dominance of the international market, their financial and monetary leadership which was institutionalized by the gold standard, and their military might, among others. It showed signs of running out of steam starting at the end of the 19th century while the USA was every day shaping up to be a more powerful nation (Landes 1979). Among the factors contributing to the British decline one can see that its monopolistic advantage, based on a technological lead, diminished throughout the 19th century. Nations such as the USA and Germany solidified a strong techno-economic basis which challenged British leadership. As a result, we see a drop in Britain's share of production (Kennedy, 1998); for example, by 1900, the USA had surpassed the United Kingdom in industrial might and in relative share of production at a world level while manufacturing at a world level (see table 1).

Table 1. Index of total industrial might and relative share of global manufacturing production, 1880-1938

World Powers	1880		1900		1913		1928		1938	
	Industrial potential	Share of Global Manufacturing								
Great Britain	73.3	22.9	[100]	18.5	127.2	13.6	135.0	9.9	181.0	10.7
United States	46.9	14.7	127.8	23.6	298.1	32.0	533.0	39.3	528.0	31.4
Germany	27.4	8.5	71.2	13.2	137.7	14.8	158.0	11.6	214.0	12.7
France	25.1	7.8	36.8	6.8	57.3	6.1	82.0	6.0	74.0	4.4
Russia	24.5	7.6	47.5	8.8	76.6	8.2	72.0	5.3	152.0	9.0
Austria-Hungary	14.0	4.4	25.6	4.7	40.7	4.4	///	///	///	///
Italy	8.1	2.5	13.6	2.5	22.1	2.4	37.0	2.7	46.0	2.8

Notes: for the industrial potential (G.B. 1900=100); for Share of World Manufacturing in percentages.

Source: Kennedy (1998, p. 326) and Bairoch (1982).

In banking and financial terms, England also suffered a drop in its power. The Great Depression (1870), and the banking panic (1890) generated an important and increase in external debt for countries such as Argentina and Uruguay and as a result, British banks such as Baring had to be rescued (Hobsbawm, 2013), or as is the case of the City of Glasgow Bank, which experienced difficulties in 1878, or the fall of the gold standard in 1919 (Marichal, 2010).

With regards to its military might, the then powerful British Army experienced multiple setbacks. The wave of colonial uprisings which started with the Maori rebellion in New Zealand and the start of Indian fights for independence in the middle of the 19th century marked the beginning of other defeats in important regions, such as the rebellion in Jamaica, the Zulu war, the failed invasion of Afghanistan, among others.

On the contrary, in the case of competing powers, the USA experienced an important rise at the end of the 19th century as a result of the spread of technical British technological advances via the international market, British investments and the creations of their own universities. The USA reached the level of the United Kingdom in economic, scientific and technological terms (Madisson, 2002). If we add to this the advantages of territory and natural resources of the United States, one can explain its rise to the forefront of the world stage prior to the first world war. By then, the technological and productive capabilities of the USA had surpassed that of the United Kingdom, which can be observed in their levels of production and share of GDP which we can see in both countries' levels of production and share of GDP at a world level (see table 2).

Table 2. Share of GDP, of world exports and productivity comparison in selected countries, 1870-1950

Year	USA			Japan			UK			Germany		
	Productivity	Share of World GDP (%)	Share of World Exports (%)	Productivity	Share of World GDP (%)	Share of World Exports (%)	Productivity	Share of World GDP (%)	Share of World Exports (%)	Productivity	Share of World GDP (%)	Share of World Exports (%)
1870	100	8.9	n.d.	24	2.3	n.d.	114	9.0	n.d.	61	6.5	n.d.
1900	n.d.	15.9	14.1	n.d.	0.3	1.0	n.d.	9.4	14.6	n.d.	8.2	10.9
1913	100	18.9	12.8	22	2.6	1.6	81	8.2	13.5	57	8.7	12.4
1938*	100	20.7	12.8	33	4.7	3.3	70	7.3	10.8	56	8.4	9.3
1950	100	27.3	16.1	14	3.0	1.3	56	6.5	10.0	33	6.8	3.2

Note: the percentage for share of world GDP for the four countries is based on 1940's production.

Source: created by the authors based on various sources: Maddison Historical Statistics <http://www.ggd.net/maddison/oriindex.htm> Maddison (1986). GDP of USA per manhour = 100; UN (1960).

Nevertheless, British leadership in financial and monetary terms, in FDIs and the share of exports at a world level were maintained thanks to the commercial and financial maturity of British businesses; but also due to an isolationist policy of the USA. The internationalization process of American companies was a phenomenon set back by various decades for a variety of reasons (the isolationist policy, the first world war, the crisis of 1929 and the second world war); it would not be until after the 1940s that American companies would turn to the world stage.

The American growth from the end of the 19th century to 1913 was focused on its internal market and reinforced by large foreign investments or the import of technology and machinery from the UK and other European countries. The counterpart of this phenomenon is that at the same time it had a weak and variable participation in global aspects, except when it came to geographical concerns which were deemed more immediate to their national interests.

This self-centered nature of American capitalism of the age was due to a variety of factors such as geographical isolation in relation to Europe, the sheer enormity of land acquired by annexing or buying neighboring territories, a population completely incorporated in a mercantile economy, based on agrarian colonization by European immigrants and the sale of land at symbolic prices; the huge variety and vastness of natural resources, the fundamental role of the railway; protective import tariffs which went from 40 to 57% between 1861 and 1908; the dizzying growth of big business and work productivity. All of this made for an internal market

in constant growth, greater capitalist profitability than European countries, a strong attraction for foreign capital which exceeded their own exports of capital and an institutional and cultural framework in line with the necessities of capitalism's reproduction (Weber, 2003).

All of these elements led to a unique type of introduction in the stage of international affairs, which, according to Kennedy (1998) made it so that the USA was by then considered a "great power" (the first in the world in industrial terms and production per capita), in spite of not yet being "part of the system of great powers".

In conclusion, at the beginning of the last century, the USA had a vast geographical territory — including the annexations of more than half of the Mexican territory (1848), Florida (1819), Alaska (1867), Hawaii (1898), and, lastly, Puerto Rico (1917) —; it also boasted a great endowment of natural resources, the largest internal market, and important technification of production. Maybe what it lacked to be "a great power" was financial and military leadership, but its own American isolationism prevented its development. It was the first world war that would serve to push hegemonic transition with another important player, Germany, which itself had great productive and military power, even though it lacked sufficient territory to achieve hegemony (Frieden, 2007). On the other hand, the USA's superior conditions of technology, production, and natural resources marked the beginning of a transition of hegemony. According to Arrighi and Silver (2001), the counterpart to the growth of the USA's productive share in world GDP was the superior British power in the financial sector (a situation similar to that currently occurring between China and the USA). In both cases, as Braudel (1984) proposes, we are facing "the coming of the fall" in the world hegemony and monetary and financial leadership are the last resource in order to maintain a level of world leadership.

While the outbreak of the first world war derived or caused the defeat of Germany and Austria, Hungary brought to heel their aspirations of becoming a world hegemony. The war had disastrous consequences for these empires. Germany was almost destroyed, and its population suffered a formidable blow. The results of the first world war were also devastating for the rest of Europe, with the exception of those countries which were relatively neutral. In this case, one can think of it as the first great chapter in Europe's self-destruction, later to be complemented by another chapter, WWII.

To these events we can add three geopolitical and socio-political consequences: the founding of the Soviet Union, the first large step of the USA on the road to becoming a world capitalist superpower and the beginnings of nationalist liberation movements in the surrounding world. The international monetary system centered on the Bank of England was affected – as soon as the end of the gold standard came about –, which was never able to reestablish itself after the impact of the first world war.

Starting with the Great War, the USA went on to become a great exporter of capital (Marichal, 2010) by means of loans to European countries during the war or during the rebuilding, which made it a large creditor and the primary means of economic support in the recovery of European capitalism during the following decade, though it was interrupted by the great crisis of 1929, as we will shortly see.

One of the great paradoxes which followed the end of the first world war was the behavior of the USA when faced by the world and European reality. After being the lead architect in the defeat of Germany and the subsequent creation of the League of Nations, brought about by the personal initiative of Pres. Wilson, the USA went back to relative international isolation due to a mandate from its own Congress (Brinkley, 2008). This led to the self-exclusion of the United States from the League of Nations, as well as the reestablishment of the previous high levels of commercial protectionism (due to pressure from American big business) which had had little involvement in world matters until then.

This neo-isolationism of the USA coincided with one of the periods of greatest economic growth of the country (more than 4% annually in the 1920s) and relative social well-being, based almost exclusively on the internal market and the *laissez-faire* capitalism, under an anti-Communist and conservative cultural impression fed by the anti-Bolshevik unease in the media. The techno-economic basis for the rise was the first display of Fordism as a dominating phenomenon, along with a permanent technological innovation, and a modern credit and banking system which financed the increase in demand, even though only at a national level.

Given the European decline, the USA then reached a great global economic superiority (by implementing Fordism 30 years before Western Europe or Japan), without manifesting itself as a world hegemony. But this process was interrupted by the great crisis of 1929, and the depression which followed and affected above all, the financial system and gave way to a great depression in the country which immediately spread to Europe, putting an end to its brief recovery of 1925 – 1929, and which opened way to the reforms of the *New Deal*.

Between the great crisis of 1929 and the second world war, as a result of the elements we have presented, the world once again experienced great changes: 1) the commercial protectionism was emphasized and an exchange control was initiated in the context of the decline of the international market and international movements of capital (Pinder, 1976); 2) the fast industrialization of Russia based on heavy industry in a process mirrored by the deployment of the Chinese revolution; 3) under Nazism, Germany, built a powerful war economy against the Soviet Union and the European winners of the first war 4) the accelerated growth of the Japanese economy began as did their imperialist expansion towards Manchuria, China, the Pacific and the French, British and Dutch colonies of the Southeast, and 5) substitution industrialization began in Latin America, with the cases of Mexico, Brazil and Argentina standing out.

In 1939, the second world war began with the invasion of Poland by Nazi Germany. In fact, the second world war should be seen as a continuation of the first military conflict when it comes to Germany's attempt to achieve world hegemony, now with the support of Italy and Japan, by challenging the leadership of a weakened United Kingdom and subsequently the USA. The new war had a greater territorial reach. In addition to Europe, it included East Asia, the Pacific and North Africa and a greater ideological and socio-political context, as it placed fascism against communism and liberal democracy. It was a war based on the use of weapons which were more powerful and lethal, causing deadlier results, claiming more human victims and a huge destruction of the fiscal and economic infrastructure of Europe (above all Germany and the USSR) as well as that of East Asia, especially in Japan due to the effect of the nuclear bombs.

A common element in both wars was, along with the decline of Europe, the rise of the USA to a world hegemony and the rise of the socialist camp to the forefront, creating a bipolar order, first with the Soviet Union and then with China, with which they were originally allied. This order remained in play until the 1990s, when the USA experienced its second great period of world hegemony (see figure 1), before breaking down, starting in 2001 with the dot com bubble and the rise of China in the world stage.

### 3. THE SECOND POSTWAR PERIOD AND THE NEW WORLD ORDER

Based on the aggregate achievements of both wars, the USA went on to lead the world hegemony thanks to its enormous economic, financial, political and military strength. By 1945 it had a gross product 60% greater than the other 15 leading economies on the planet (Marichal, 2010), two thirds of the industrial capacity and three quarters of the invested capital in the world (Hobsbawm, 2004), to which one must add their incomparable scientific, technological, business and financial abilities. It is worth mentioning that the rest of the important nations in the capitalist world were left devastated after both wars, so that the American hegemony was total, proof of which was the placement of the dollar as the only leading currency at a world level.

Unlike the events following the first world war, the USA's new entrance on the world stage was dominating, thanks to the new world capitalist economic interests of its capitalism as well as the challenge of Communism.

The Soviet Union had also become a great economic, political and military power based on a strong heavy industry and, since 1949, its nuclear capabilities. This gave way to a new relationship between world forces in the bipolar world of the Cold War, based on nuclear equilibrium, more than the formal authority of the UN created after the war.

In order to contain the expansion of communism in the world, the USA set up a trade barrier around the new socialist camp of Europe. The Marshall Plan, the OECD and NATO, were together the first foundations for the European Union, tools in relaunching Western Europe. In Asia it would be Japan, the rest of the allies of East Asia, and the future "Asian Tigers" or Israel in the Middle East later on. Said policies survived until the capitalist recovery of these countries converted them into strong competitors for the USA.<sup>1</sup>

The recovery of Western Europe gave way to the so-called welfare state (Madisson, 1986; Hobsbawm, 2004), resulting from a world recovery, which included a great part of the Third World.<sup>2</sup> With this, the USA confirmed its hegemony by leading institutions which have created world order to this day: the Bretton Woods Agreement, which gave it monetary leadership, but also institutions such as the UN, the WTO, NATO, the World Bank, IMF, and the OECD, among others.

Nevertheless, even having on its side institutions which regulated the world, the USA has stumbled economically and has had crises in its hegemony. The expansion of capitalism after the war came about in two separate stages in the form of the world crisis of 1974-75 and the subsequent recession. The first was the generalized world expansion which ended with the world crisis of 1974-75 brought about by the exhaustion of Keynesian-Fordism and the subsequent inflationary stagnation of the USA, which made conversion between gold and dollars impossible, and the end of the Bretton Woods monetary system in the context of the collapse of capitalist profitability.

The second stage of expansion began at the end of the 1980s with the inrush of IT capitalism and globalization, spearheaded by the USA under the guise of neo-liberalism. But this process was quite brief (it did not continue beyond the 1990s) and resulted in emphasizing the toxic aspects of neo-liberalism, such as financial over-speculation and its policies of globalist neo-imperialism.<sup>3</sup>

Unlike what happened with the USA and developed capitalist countries, the USSR saw itself affected by the changes to the world economy in the 1980s. It not only stopped growing at rates greater than capitalist countries, but its bureaucratic statism entered a stage of irreversible decline. This period of involution coincided with the beginning of the American and European capitalist recovery, which resulted in the IT revolution and its leading role in globalization, giving way to the collapse of the USSR and Eastern Europe at the beginnings of the 1990s. For Hobsbawm, this collapse marked the end of the "short 20th century".

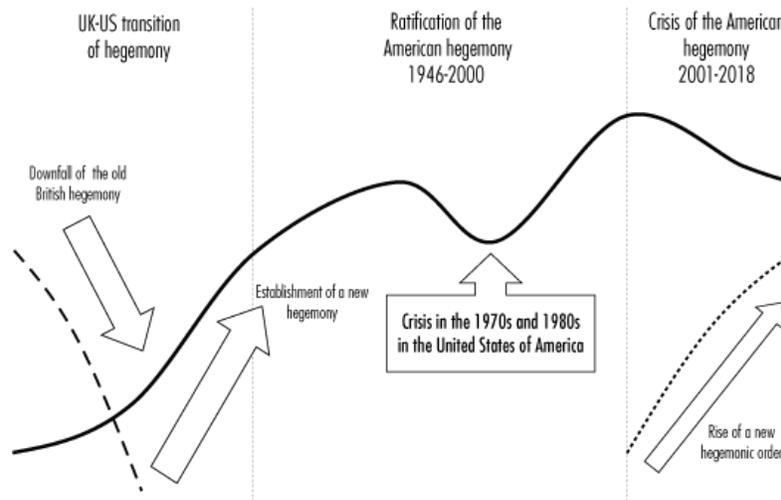
As one can see, in the 1990s, the deterioration of the Soviet bloc left the USA as the only world superpower, and the strength it acquired from being the epicenter of the IT revolution gave it a great advantage in scientific, technological, commercial, military and cultural terms. The absolute hegemony of the USA had its heyday during the decade spanning from 1991 to 2001 and its speculative, slow economic growth was short-lived and individualist nature. This created economic stagnation, spilling over into the crisis of 2001. In political and military terms, its leadership was questioned with the terrorist attacks of 9/11 and its defeat in the Middle East.

In the case of China, it began its rise based on its proposal of a "market socialism", which was the result of a long and complex process of great internal struggles culminating in the mid-1970s, resulting in a long complex process of great internal struggles which ended in the mid-1970s, with the triumph of the pragmatic line of modern industrialization and with their integration into the world market by Deng Xiaoping.<sup>4</sup> The result was a mixed economy, led by the Communist Party of China, with a public sector dominating over various types of businesses (state, transnational, mixed, private, cooperative, rural, municipal, etc.) and starting in 2001 a competitive entry in globalization based on innovation and technological learning. This has given way to the gradual rise of a new world bipolarity and the resulting crisis in the American hegemony.

#### 4. THE CURRENT HEGEMONIC CRISIS

The rise of two new poles has not been lineal in nature. The USA's conversion into the hegemonic superpower in capitalism went through periods of relative international isolation as well as total involvement in international affairs, prolonged periodic surges (after the second world war and during the 1990s) and dips (crises in the 1930s, 1970s, and part of the 1980s, see figure 1). This paper's proposal is that from the dot com crisis onwards, the USA has found itself deep in a process of decline of its hegemony from which it will be difficult to recover, a stage similar to that which afflicted the British hegemony at the end of the 19th century (see figure 1).

Figure 1. Different periods in the transition of the world hegemony.



Source: Arrighi and Silver (2001); Hobsbawm (2004); Dabat and Leal (2013); Dabat et al. (Claude 2012).

Similar to the rise of the USA to the forefront of the world stage in those times, today we see the rise of China and, to a lesser degree, that of other countries such as Germany, Russia or Korea, which seems to make up a new stage of transition in the world hegemony.

The case of China is a long and complex phenomenon. After being a leading world power until the 15th century, China then went on to become a decadent and conservative empire, semi-colonized by imperialist powers in the 19th century, almost to the point of territorial division. Later on, based on a strong national and revolutionary movement, China became the great power that it is today, taking advantage of its vast natural resources and workforce to generate production, thereby increasing its presence in the world using a strategy of exports and FDI.

2001 turned out to be key in the downfall of the USA's absolute hegemony as it marks the end of its economic expansion; the terrorist attack in September of that year was a clear challenge to its military hegemony. That, and China's joining the WTO made up a series of historical facts which marked the beginning of the transition hegemonic transition process.

The end of the dot com bubble was based on dropping interest rates and growing public debt with the goal of resuscitating the economy. They in fact achieved it, but only by generating a financial (real estate) bubble, similar to what happened at the end of the 19th century and the beginning of the 20th century with the British hegemonic crisis.

Said bubble burst in 2008 and gave way to the crisis of 2009. Since then, the USA has found itself in a deep recession, which has been gradually improving thanks to a policy of quantitative easing which established interest rates close to 0%. While these have gradually risen, the USA finds itself in a situation similar to that which Keynes called a liquidity trap and which consists of low interest rates which do not generate significant growth in productive investment nor in employment in spite of great liquidity in the world. While it does generate world uncertainty and hoarding as well as increasing debt, it does not generate strong economic growth (see table 4).

In the case of China, they have maintained sustained GDP growth rates in exports and production during the entire American fiasco (similar to what happened in 1870 and 1928, with the United States and the UK, see tables 1 and 2).

Towards the end of this decade, one sees that the transformation process of the world economy is faster than ever before, and it is important to look back in order to gauge the importance of these changes which have arisen. In this regard, Global Trends (2012), an American governmental organism, believes that by 2030, the USA will no longer be the hegemonic country which dictates the destinies of the world, as it did after the second world war as it will have to share the world hegemony with China, which will by then have surpassed by far the USA in economic terms. Nevertheless, there will be no country which will meet the requirements needed to exercise an absolute hegemony as the USA has, so that the world will head towards a multi-polar order.<sup>5</sup>

As can be seen in table 4, the USA continues to have an important technological, scientific and business superiority. Although China stands out not only for the vastness of its popular technological learning processes but also for these being geared towards civil and social ends (Dabat and Leal, 2013). One must add that China's road forward is still quite limited due to a lack in political openness and other social, institutional, cultural and environmental requirements; although the US does not find itself further ahead despite of their triumphantist discourse.

The rise of the USA to a world hegemony currently finds itself in an important process of change, in which there is an ongoing debate regarding the final destination of the American world hegemony. The main concern facing this debate is not accurately measuring the current level of decline of the USA, but rather approaching the problem from a qualitative and historical manner through the interrelationship of the seven proposed indicators, such as the analysis of the country's historical possibilities to preserve its hegemonic role in the world when faced by the rise of China and other countries in the surrounding world.

As such, one can conclude that though the USA is still the primary world power, it is so in a declining fashion due to a variety of reasons, among which the following stand out: the country standing within the international division of labor (a standing which is ever less productive and competitive) derived as much from internal conditions (techno productive, institutional, and social) as well as its lack of competitive capabilities at a world level and an inability to sustain its hegemonic power (Dabat and Leal, in the press).

The uncertainty created by the possible outcomes of president Donald Trump's trade policies, recognizing the wear on its infrastructure, its aging population and the decline of its leadership in the Middle East, among other things, indicates that the world is heading towards a multipolar order with China, Russia, Germany and other nations playing an important role in balancing the scales. Similar to what happened with the USA in the 20th century, China leads in various indicators (see table 3).

Table 3. Comparison of selected indicators for China and the USA, 2000-2017

Year	Share of world GDP PPP*		Share of world manufacturing production		Share in world exports		International Reserves (millions of dollars)	
	USA %	China %	USA %	China %	USA %	China %	USA	China
2000	21.2	7.6	25.4	n.a.	11.6	3.9	128	172
2001	20.9	8.1	25.7	n.a.	11.3	4.3	130	220
2002	20.6	8.5	25.3	n.a.	10.3	5.0	158	298
2003	20.5	9.1	23.7	n.a.	9.2	5.8	184	416
2004	20.1	9.5	22.4	8.7	8.5	6.4	190	623
2005	19.9	10.1	22.0	9.6	8.3	7.3	188	831
2006	19.2	10.7	21.6	10.8	8.2	8.0	221	1 081
2007	18.6	11.6	19.7	12.3	8.0	8.7	278	1 546
2008	17.8	12.2	17.8	14.6	7.8	8.9	294	1 966
2009	17.3	13.4	18.4	17.4	8.3	9.6	404	2 453
2010	16.8	14.0	17.3	18.4	8.3	10.3	489	2 910
2011	16.3	14.7	16.1	20.7	8.0	10.4	537	3 255
2012	16.1	15.3	16.4	22.5	8.3	11.1	574	3 388
2013	15.8	15.9	16.5	24.1	8.3	11.7	449	3 880
2014	15.7	16.5	16.5	25.3	8.5	12.4	434	3 900
2015	15.7	17.1	17.7	26.6	9.0	13.8	384	3 405
2016	15.4	17.7	17.6	26.2	8.9	13.1	406	3 098
2017	15.2	18.3	n.a.	n.a.	8.6	12.8	451	3 236

Notes: \*refers to GDP measured as purchasing power parity (PPP).

Source: created by the authors with data from the World Bank (2019) and WTO (2019), time period starting in 2000.

Nevertheless, beyond the production and manufacturing analysis, one can see how the USA leads and lags in the indicators for a world hegemony (see table 4).

Table 4. Selected indicators for establishing a hegemony 2018

		<i>USA</i>	<i>China</i>	<i>Germany</i>
Investment	FDI inflow (world ranking)	1	2	11
	FDI outflow (world ranking)	1	3	5
	Number of patents registered by residents	293 904	1 245 709	47 785
Territory	Size of territory in Km <sup>2</sup>	9 833 517	9 596 960	357 022
	Number of airports	13 513	507	539
	Km of railroads	226 427	91 000	41 896
	Number of ships in mercantile fleet	3 692	4 610	629
	Verified oil reserves (world ranking)	12	14	49
	Verified natural gas reserves (world ranking)	203	9	64
Financial System	Number of large banks (in world's top 100)	15	16	1
	Number of stock exchanges	2	2	1
	Share of reserves in World Bank	16%	5%	3%
	Share in IMF's currency basket	17%	2%	6%
	Inflow of investment portfolio (millions of dollars)	354 828	168 224	77 983
	Size of public debt (% of GDP)	106%	50%	61%
	Total international reserves (millions of dollars)	451	3 236	199
Science and Technology	Number of people in the world who have a mastery of the language	English: 379 million	Mandarin: 1.311 billion	German: 761 million
	Universities of renown (world's top 500)	146	44	39
	Nobel Prizes	377	8	107
	Number of scientific publications per year	408 985	426 165	103 122
	Expenditure on R&D (% of GDP)	2%	3%	3%
Culture	Movie industry production (number of movies produced)	660	874	233
	Movie industry's income (millions of dollars)	19 041	8 595	2 500
	Music industry production (world ranking)	1	20	3
	Music industry's income (millions of dollars)	4 898	292	1 404
	Videogame industry production	2	1	5
	Videogame industry's income (millions of dollars)	31 535	34 400	4 989
Military might	Military bases	800	7	0
	Active troops	1.3 Millones	2.2 Millones	178 641
	Military airships	13 398	3 187	613
	Military ships	415	714	81
International Political Power	Participation in international institutions	G-5, G-7, G-8, G-10, G-20, OECD, Interpol, UN, NATO	G-5 G-20, G-77, UN, Interpol, BRICS	G-5, G-7, G-8, G-10, G-20, OECD, Interpol, UN, NATO, European Union
	Participation in the UN's Security Council	Permanent	Permanent	Not permanent
	Number of representations abroad	273	268	224

Source: CIA (2019); Arias (2019); Bankinter (2016); World Bank (2019 y 2018); UNCTAD (2019); Eberhard *et al.* (2019); *Expansión* (2019); IMF (2019); Global Fire Power (2019); UN (2019); Shanghai Ranking Consultancy (2015); Statista (2019A); Statista (2019B); TradeMap (2019); UNESCO (2019); *Voz Libre* (2018); YouBolt.com (2019).

As one can see in table 4, the USA continues to be the primary issuer and beneficiary of FDIs, even though the rise of China is quite strong and it has a debt much lower than the USA. In the territorial analysis, the USA is a power in terms of scope, population and energy resources; while China challenges its leadership in many fields, Germany's assets are negligible to the point that it would be difficult for it to achieve world hegemony and will only participate as a regional leader. Along these lines, Russia is an important country, but lags behind in the other indicators so that it will also only participate as a regional leader.

The air and railroad infrastructures are much superior in the US but China is experiencing significant advances.

The financial and monetary leadership of the US is maintained thanks to the dollar and financial deepening, even though China has leading banks at the world level (Industrial and Commercial Bank of China 2nd place and China Construction Bank 5th place). The USA leads the field of science and technology, backed by its great universities and its leadership in microprocessors. Even though in most recent innovations (robotics, nanotechnology, medical advances, synthetic biology, 3D printing, among others) the US is at the forefront, China, Germany, Russia, Korea, and other countries share leadership and innovation, which implies that the USA will find it difficult to recover the world leadership that it had during the IT revolution and which led it to the forefront in the 1990s. The USA is still the primary

military power, while Germany is far from being so, and China, seems to be so. Russia could well be an important power, but it does not have the other elements as previously mentioned.

With regards to exporting culture, the movies most seen are those made in Hollywood and the most recognized artists around the world are those who speak English. One can conclude that the USA holds on to its cultural leadership. Finally, with regards to institutional order at a world level, a factor that stands out is the preeminence of the USA in primary organizations such as the UN's Security Council, the IMF, the WTO, and the G7. Said organizations were created while taking into account the liberal democratic model promoted above all by the US, and as such, it appears difficult that Chinese institutions and practices (such as a party dictatorship, the lack of elections, or internet censorship) could be exported around the world and become a role model, even though they represent the organization of a stable country with social improvements.

For all these reasons, we believe that the United States' leadership finds itself in a process of decline in practically every area, making it impossible for it to continue exercising an absolute hegemony. Nevertheless, neither China nor any other country is in a condition to exercise one, which is why we restate that we are heading towards a multipolar world.

What differentiates the new polarization in the world from previous world order frameworks is that now it is not based on two, large closed off blocks (or on the plurality of multiple imperialist colonial spaces equally closed off, as has been seen in the past), but rather on an open space of globalization and financial and commercial interdependence between countries. This makes it so that the balance of power between the two great powers depends primarily, at least in the beginning, (one can never rule out the possibility of a completely devastating new world war) on the rhythm and quality of internal development, as well as the external bonds and alliances, in which China's relations with developing countries provide it with an advantage.

## 5. CONCLUSIONS

The methodology proposed resulted quite useful in the analysis of the historical process of the USA's rise to a world hegemony. In this regard, we could see that since before the second world war, the USA already had an important performance at the world level in areas such as share of GDP, international business, financial flows and productivity; it was in other words, an important country in the generation of innovations and its universities were important at a world level. Likewise, China is currently the leader in production around the world, has the greatest share of the world GDP, is the largest exporter and its level of innovation and generation of knowledge get closer to the levels of the USA every day.

Nevertheless, China's institutions are not exported as world leaders, there is a language barrier, and its unique culture and people's general ignorance of its military might, indicate that while China presents traits similar to those of the USA prior to the second world war, it does not seem to be the country which will become an absolute hegemony in the short term.

Taking into account the theoretical framework of the seven proposed points: 1) territorial expanse, 2) industrial might, 3) financial might, 4) scientific and technological leadership, 5) political and military might, 6) cultural leadership, and 7) international impact based on the international state system and international institutions and organizations, and the analysis of two hegemonic transition processes, we concluded the following:

- the transition of hegemony is a far-reaching historical process, which is the product of two essential factors: the internal and external weakening of a hegemonic power and the rise of a new power to challenge its leadership, which manifests itself in an internal and external strengthening of the country, or group of countries. In the case of the British hegemonic decline, the world war served as a catalyzing factor in the transition: the fight for hegemony between the United Kingdom, Germany and the USA. Nevertheless, the USA already presented economic superiority in many areas before the wars (see tables 1 and 2). The vastness of the American territory, in contrast to Germany, was a determining factor in consolidating a new hegemony.
- The transition process, according to Arrighi and Silver (2001) is at least 30 years and is composed of three stages: "crisis of hegemony, collapse of hegemony and new hegemony". Likewise, authors such as Hobsbawm (2004) and Dabat (2017) propose a period based on deep transformations in the economic, political, social, technological, and geopolitical fields in terms of hegemony and world government. The global IT stage began in 1980 and finds itself in a frank period of decline, which implies a deep transformation which will cause the end of the American hegemony and the transition to a multipolar world (Dabat, in the press).
- Both transition processes show that the advancement of the country which joins the world leadership manifest itself early on in production, manufacturing, gross fixed capital formation, in its share of world exports and world GDP. As the USA led the world from the beginning of the 20th century, China has done so from the beginnings of the current century, which seems to be an unstoppable trend.
- In financial and monetary regards, which is based on elements more qualitative in character, such as trust, the leadership of the new rising power lags. The power in decline maintains its might to a significant degree in this field, as it does in military terms. One can clearly see a similarity between the British and American transition and the current American hegemonic crisis. Today, the dollar in its role as a global currency and America's global military might are the two large factors which maintain the American hegemony (Leal, 2018).
- Likewise, one can see that before the British decline as a leading power, there was a financial bubble which sought to boost its economic hegemonic leadership (Arrighi and Silver, 2001), and in the case of the current hegemonic crisis, the dot com bubble, the real estate bubble and the current *everything bubble* have come to pass at the same time that China surpasses the USA in regards to production.
- The institutions which govern the world economy respond to the interests of the prevailing hegemonic nation and not to future scenarios; in the transition its leadership is still felt without the decline of said power being noticeable. For example, the gold standard was maintained by British interests, while international organisms, such as the UN, the WTO, the IMF, and NATO, among others, continue to respond for the most part to the interests of the USA, in spite of the current hegemonic crisis.
- Contrary to other transitions of hegemony, in the current one there is no world war to catalyze the transition, so that the definitive fall of the USA or the rise of a bipolar or multipolar order could take many years to establish itself.
- Every hegemonic struggle presupposes a fight for territorial expansion. While the US expanded with Mexico, Hawaii, Alaska, and Puerto Rico; in the case of China the expansion has been carried out in the form FDIs and the export of its goods, but it is also a regional power which has recovered the territories of Hong Kong and Taiwan. As such, one can conclude that a hegemonic nation has always been a nation with ample territory, so that in current territorial conditions, developed countries such as Korea, Japan or Germany find themselves with scarce possibilities of acting as a hegemony.
- The USA has aspired to maintain its hegemony based on the economic and military intimidation, so that a change to a multipolar or bipolar world is a step forward in terms of democracy and equality of rights between the nations.
- There is a chance that the USA will carry out provocations against China in order to start a third world war with which to strengthen its hegemony (Arrighi, 2007).
- Current conditions do not demonstrate a real possibility of China taking the place of the USA as a world hegemony. In the words of important hegemony researchers, it is not enough to have an economic and commercial lead, one also requires a monetary, military, institutional, and cultural lead. In this regard the language, institutions, culture and current form of government in China are quite unique and it would be difficult for the majority of countries to seek to

adopt them. Conversely, the British and American hegemonies did dominate these areas so we reiterate that we are facing a deep crisis of the American hegemony from which it will find it difficult to recover, but expecting the rise of the Chinese hegemony is unrealistic. Nevertheless, we propose the possibility of a multipolar world if countries like Russia and Germany move forward with China to share leadership with the US in a less vertical world.

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<sup>1</sup> The World order after the war was based on two primary pillars: a) the Bretton Woods Agreement of 1944 (which was not ratified by the Soviet Union), the creation of a monetary system based on the dollar, which could be converted to gold, as a world currency along with a fixed parity system supervised by the IMF; and b) the UN, created one year later (1945), which would in fact recognize the new role of the Soviet Union as a member in the Security Council with a right to veto.

<sup>2</sup> In Latin America and other parts of the Third World, prosperity at the end of the 1960s and in the 1970s was a misleading phenomenon, as it was based on growing massive and unsustainable debt, which would shortly lead to the great Latin American debt crisis.

<sup>3</sup> A shift to the exterior in their industrial production, deregularization of speculation, militarization of foreign policy, excessive consumerism and the tearing apart of its own internal social makeup.

<sup>4</sup> The Mao era had opened the doors to basic education, public health and improved technology. The egalitarianism doctrine had bestowed upon countryfolk a new image of themselves and their potential. The result of the previous agrarian revolution and the later modernizing reforms allowed for the creation of a huge internal market and which would, decades later and in the middle of the international crisis, make it possible to reorient the Chinese economy inwards without any significant decline in their growth (Dabat and Leal, 2013).

<sup>5</sup> Global Trends 2030 is a forum sponsored by the National Intelligence Council, in which they are invited to discuss topics which will be covered by publications charged with creating impartial estimations free from the influence of the current government's implemented policies. These predictions are used by the Director of National Intelligence's office and the American National Intelligence Council in formulating policies geared towards long-term planning of topics of world importance such as globalization, demography, and the environment. In the last issue of 2012, they propose that by 2030 China's advance plus the USA's weakening will lead to the end of the USA's absolute hegemony and towards the rise of a multipolar world.