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America's Lost Hegemony

By [Paul Craig Roberts](#)

The historian who chronicles America's decline will lay the blame on [free market ideology](#).

I say this as a believer in the market. My books and scholarly articles demonstrate the superiority of [market systems](#) over [government allocative schemes](#). The problem arises when market economics ceases to be thoughtful and becomes ideological or a dogma.

A good example of the latter is a recent [Heritage Foundation](#) study that argues that global outsourcing is the best way to equip the US military with the best technology at least expense. The study brushes away concerns with the erosion of the American manufacturing, science, and engineering knowledge base by asserting that such concerns imply protectionism and that protectionism means the death of innovation. [['Buy America' Provisions Don't Help Homeland Security or National Defense](#) by Alane Kochems, June 21, 2005]

Protectionism can be problematical for innovation, and the study is correct to point this out. Where the study fails is in ignoring that innovation does not take place in a vacuum. Innovation requires a material base and depends on a strong manufacturing, science and engineering foundation backed by R&D programs.

In an interview with *Manufacturing & Technology News* (August 8), the study's project leader, Jack Spencer, sees protectionism as the only threat to American innovation, which he otherwise takes for granted:

“Our belief is that subjected to the free market, the United States is still going to produce most things because our comparative advantages are innovation and new technology. If liberated from protectionism, we can compete and that is where we will always emerge as winners.” [[Heritage Foundation Says Congress, DOD Should Learn To Live With Globalization; Providing Troops With Best Equipment Usurps Making It In America](#) by Richard McCormack]

This belief is simply untrue. As this belief is the basis for the study, the study has done nothing but confirm a preordained belief.

The US has no God-given comparative advantage in innovation and new technology. We were leaders in these fields, because we were leaders in manufacturing.

We were leaders in manufacturing, because Europe and Japan destroyed themselves in wars, and the rest of the world destroyed themselves in various forms of socialism and cronyism.

America's hegemony in manufacturing, science and engineering was the product of historical circumstances. Moreover, it occurred despite American protectionism.

The historical circumstances have changed. The US gave away its scientific and engineering education and its [agriculture](#). It did this partly for idealistic reasons and partly as cold war strategy.

Once socialism collapsed in Asia, US corporations began outsourcing abroad the manufacture of products for US markets. Success with offshore manufacturing has led to offshore outsourcing of research and development and now innovation itself.

As a recent report from the National Research Council recognizes, **[“product development and technical support follow manufacturing.”](#)** One consequence for America is the loss of many manufacturing capabilities and **“the increasing availability abroad of unique technologies not found in the United States.”**

This development is taking a huge toll on America's human resources in manufacturing skills, engineering and science. The first American victims were [blue collar workers](#). Millions of them lost their jobs and experienced sharp declines in the quality of their lives. But as research, engineering, design, and innovation followed manufacturing abroad, now it is white collar workers in [information technology](#) and [university graduates in engineering](#) and physics who are being displaced.

American university enrollments in science and engineering are declining because there are no jobs for graduates. It is pointless to invest money, sweat and toil in an education that has no payoff. Markets do work. Markets are working to shrink the demand for, and supply of, American engineers and scientists.

The next impact is going to be on project manager jobs, practically the sole remaining source of career related employment for many engineers and technical people. Project management jobs require people experienced with the technology of the job. The loss of technical and engineering jobs empties the pipeline of people who have the experience to assume management positions. Far from being able to innovate, the US will even lack the human resources to manage technical and scientific projects.

Many uninformed people believe the problem is that America doesn't produce enough scientists and engineers. *Manufacturing & Technology News* reports that **“a group of 15 US business organizations has launched a national campaign aimed at doubling within 10 years the number of bachelor's degrees in science, technology, engineering and mathematics.”**

What is the point of this when there is a huge supply of unemployed engineers and

technical people who have been displaced by offshore outsourcing and by H-1b and L-1 work visas for foreigners? I know an American software engineer in his thirties whose job was outsourced. After searching fruitlessly for a job for four years, he took a job in Thailand writing software programs for \$850 per month.

The anecdotal stories are legion. Yesterday, a friend reported to me that the service technician who repaired his garage door opener said his company was flooded with resumes from college graduates and engineers who cannot find work and are willing to take jobs installing garage doors.

US executives, with an eye to quarterly earnings and their bonuses, continue to spend considerable resources lobbying for increases in work visas that enable them to replace their American engineers, scientists, and technical people with lower cost foreigners. These executives lie through their teeth when they assert the lack of qualified Americans for the jobs. The fact of the matter is, the executives force their American employees to train their foreign replacements and then fire their American workers.

In a word, American capitalism is destroying itself by dismantling the ladders of upward mobility that have made large income inequalities acceptable. By rewarding themselves for destroying American jobs and manufacturing, engineering and scientific capabilities, US executives are sowing a whirlwind. American political stability will not survive the turning of an American university degree into a worthless sheet of paper. Libertarians and free market ideologues who rejoice in freedom should open their eyes to freedom's destruction.

Dr. Roberts, [[email him](#)] a former Associate Editor of the Wall Street Journal and a former Contributing Editor of National Review, was Assistant Secretary of the Treasury during the Reagan administration. He is the author of [The Supply-Side Revolution](#) and, with Lawrence M. Stratton, of [The Tyranny of Good Intentions : How Prosecutors and Bureaucrats Are Trampling the Constitution in the Name of Justice](#). Click [here](#) for Peter Brimelow's Forbes Magazine interview with Roberts about the recent epidemic of prosecutorial misconduct.

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