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# Henninger: The Growth Revolutions Erupt



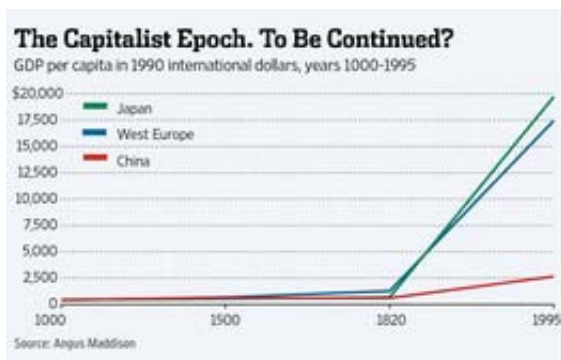
*Ukrainians want what we've got: The benefits of re* By DANIEL HENNINGER

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All future histories of the Obama presidency will analyze the phrase "leading from behind"—the idea that the U.S. superpower should behave as no more than a co-equal partner in managing the affairs of the world. Chapters will be devoted to laying this revisionist template over Libya, Syria and Iran. There is one area, though, in which the returns are already in on this new notion of American leadership: For five years, the U.S. has been leading the world economy from behind. It's not pretty.

Across the postwar period, the U.S. has been the "engine" that pulls the world economy. That engine has sputtered the past five years, with annual U.S. growth rotating around 2% rather than the historic average above 3%. Economies elsewhere are faltering or choking. Even China is decelerating. The European Union this week predicted weak growth through 2015.

After the great recession ended in early 2009, the normal post-recession growth spike in the U.S. never happened, meaning the world's people missed out on a *lot* of productive economic activity. And don't hold your breath. According to the Congressional Budget Office's outlook report this Feb. 4, "The growth of potential GDP over the next 10 years is much slower than the average since 1950." Not slower. Much slower.



Hang around the Washington political and pundit class these days, and you get the impression this doesn't matter much. We'll muddle through low growth till the sun comes out again. Raise the minimum wage, create more tax credits or spend \$300 billion pouring federal concrete, and the clouds will part.

You think so? Let's try to describe as provocatively as possible the future that a slower U.S. economy will produce, and we don't mean the coming Medicare-cost bomb. If the American economic engine slows

permanently to about 2%, you're going to see more fires around the world like Ukraine and Venezuela. At the margin, the world's weakest, most misgoverned countries will pop, and violently.

No one in our politics should be so naïve as to think that in a dangerously low-growth world, the U.S. won't have to get "involved." Weakening economies breed anger and political volatility, as in the

1930s, and if the flames get high enough, there *will* be U.S. boots on the ground somewhere.

The Arab Spring erupted just three years ago. As in Ukraine or Venezuela, the scenes from Middle Eastern capitals were the same: thousands of young demonstrators (a million in Cairo's Tahrir Square), bonfires and bloodshed. Yes, it's about political freedom and corruption, but left unseen because it can't be photographed in these upheavals is the reality of economic hopelessness.

Mainly that means massive joblessness, notably among young people. It's 39% in Egypt and 38% for university graduates in Tunisia. We are witnessing growth revolutions. Why are Ukrainians fighting and dying to join the low-growth European Union? Because the EU has a system that makes real economic growth theoretically possible, unlike erratic Russia. Aligned with the EU, a free Poland has grown, even if Italy and France have frittered away what they had. France reported record unemployment this week.

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### Related Video

Wonder Land columnist Dan Henninger on why the U.S. desperately needs economic growth to remain a player in the world economy. Photo credit: Getty Images.

The U.S. and Western Europe have lived through these recent years with the illusion that economic mediocrity can't be so bad because they've had no Orange Revolutions on their lovely streets. In fact, these vain and decelerating advanced economies are living off the accumulated inheritance of a century and a half of good growth.

Angus Maddison, the late and eminent economist for the OECD, produced a famous chart in 1995, depicted nearby. For the longest time—basically from after the Garden of Eden until the 19th century—economic benefit for the average person in the West

or Japan was flat as toast. The Mona Lisa aside, there was a reason someone back then said life was nasty, brutish and short. Then suddenly, new wealth spread broadly.

Maddison describes 1820 till 1950 as the "capitalist epoch." He means that admiringly. The tools of capitalism unlocked the knowledge created until then. What came to be called "economic growth" gave more people jobs that lifted them and their families from the muck of joblessness and poverty. Maddison also noted that much of the world did not participate in the capitalist epoch. No wonder they revolt now.

This history is worth restating because the importance of strong economic growth, and the unavoidable necessity of a U.S. that leads that growth, may be disappearing down the memory hole of public policy, on the left and even among some on the right. Both share the grim view that the U.S. economy is flatlining, and the grim fight is over how to divide what's left.

There is no alternative to strong economic growth. None. They know this in Beijing, Seoul, Kuala Lumpur, Jakarta, Warsaw, Bratislava, Taipei, even Hanoi. The missing piece is a global growth agenda led by a U.S. president and Treasury secretary who aren't fundamentally at odds with capitalism. The revival of tax reform announced this week ([and on these pages](#)) by House Ways

and Means Chairman Dave Camp is a start.

In a puckish moment, Angus Maddison did say that income inequality was rather minimal in the 11th century. Now *those* were the days.

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