Whither American Exceptionalism?

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When you give an essay a title like “Whither American exceptionalism?” there is obviously a joke to be made. Is American exceptionalism withering? That is really the question that I want to pose.

Let me first talk a little bit about economic and political history, and tell you what has not been exceptional about American history. Let us look at population figures since the time of the early republic (see figure 1); the gray line is the population of the United States. The x-axis is on a logarithmic scale so that we can fit China in. This story is a clear-cut one. The population of the United States grew very rapidly. It overtook that of the European superpowers, the United Kingdom and Germany. It overtook that of Japan, one of the first Asian superpowers. It has just overtaken that of the former Soviet Union, and it is conceivable that one day it will overtake that of China.

This is remarkable, no doubt, but it is not especially exceptional. Economically, the story of American gross domestic product is remarkable, too (see figure 2). Once again, the gray line is the gross domestic
product of the United States. Once again, I am comparing it with other historical superpowers. What you see here is the extraordinary story of American economic growth: outpacing the European great powers and from the late nineteenth century overtaking the United Kingdom; then dominating the global economy of the twentieth century. Notice the dotted line representing China, which since the 1980s has been closing the gap with the United States. The trajectory of its recent rise is almost vertical. For that reason alone, you cannot really say that American economic growth has been historically exceptional. It has been impressive, but once again it is not unique.
Rapidly growing population, rapid economic growth—not to mention territorial expansion—and the global power that comes with these things were consequences of what was exceptional about the United States. The consequences themselves were not exceptional. There are other ways to achieve these things, and other great powers have achieved them in the past and may do so again in the future.

Now, if I were to ask a well-educated American, “What are the exceptional causes of American success?” she might very well reply by mentioning the fact that we are a democracy, or the fact that we are a republic and got rid of a bad British king. She might say, “We have a federal system,” or “We have a capitalist economy.” Yet none of these things is exceptional. Successful democracies are ten a penny. There have been successful republics since ancient times. The Dutch created
the United Provinces before rebellious British colonists here created the United States. Federal systems are also now commonplace. Even the Germans now have a federal system; indeed, they first had one when the German Reich was created in 1871. As for capitalist economies, these have become the default setting. So a story about American exceptionalism cannot be based on these political institutions, any more than it can be based on population growth or economic growth.

As a young man at Oxford, I was made to read Alexis de Tocqueville. I am very glad I was made to do that because Tocqueville remains for me the greatest and most insightful writer on the subject of American exceptionalism. I am going to take Tocquevillian ideas now—based not only on *Democracy in America* but also on his later work, *The Old Regime and the Revolution*—to suggest what I think is exceptional about the United States: in short, the characteristics that really are hard to find in other countries, in any era.

First, the idea of limited government, with the separation of powers designed to constrain both the executive and the legislature, was a highly original idea. British institutions were not designed this way. Second is the notion of decentralizing power. This was something that impressed Tocqueville very much as it was so different from his native France. Again, this is a highly original idea. Only in Switzerland do you otherwise find the notion of decentralization so fundamental to the political system. But as Tocqueville points out, American decentralization was about more than just giving local authorities and regional authorities power. It was also about giving voluntary associations power. The citizens do self-help in North America, he says, unlike anywhere else in the world.

Third, Tocqueville says that America puts liberty above equality. This is something he as a French aristocrat with liberal leanings greatly admired. Fourth—and I think this is one of the reasons that Tocqueville was critical about some of the things that he saw in the United States, not least the institution of slavery, but also the treatment
of indigenous peoples—American citizenship ultimately evolved to be a universal citizenship based on norms, not on genes. In Tocqueville’s time this was very far from being a reality. In our time, it has become a reality. I am going to add a fifth characteristic, which was also very important to Tocqueville: the vitality of American religious life—not only its vitality but its diversity. The competition between multiple Protestant sects, and then the competition with Catholicism as Catholics began to immigrate to the United States, have been among the key sources of American vitality.

These are the characteristics that I think were exceptional about the United States—characteristics that are very hard to find in the history of other countries. I happen to believe that these are the characteristics that explain not only the political success of the United States, and not only its economic success, but ultimately also its success as a great power.

Is American exceptionalism withering? Let me show you some of the symptoms that might lead you to conclude that it is. Take median household income (see figure 3). After 1999, following decades of growth, it steeply declined, and it has only barely got back into the range that we attained in the late 1990s. Compared with the trajectory for the year of my birth, 1964, up to 1999, we appear to have entered a period when, for the average American household, economic life has been a disappointing round-trip through a crisis into a mediocre recovery. Productivity growth, once at the core of American economic success, has also slumped since the new millennium began.

Or take labor force participation. When you look at prime-age males (men aged between twenty-five and fifty-four), the United States is now an outlier. No other developed country has seen such a sharp decline in prime-age male labor force participation. Nor is that all. The most shocking paper published in 2016, which was by Nobel laureate Angus Deaton and Anne Case, revealed sharply deteriorating health among middle-aged white Americans. Everybody else in the developed world, including nonwhite Americans, has a downward trajectory in terms of
mortality. Only white middle-aged non-Hispanic Americans have an upward trajectory. And when you look at mortality by cause for this group, it is astonishing. Death by poisoning—that is, various forms of overdose—has been soaring, as have suicides and chronic liver diseases.¹

Something is badly amiss with middle America, as Deaton and Case clearly show. But this should not really be news. Aspects of this social crisis were already identified in Charles Murray’s wonderful book *Coming Apart*—a book that in some ways was a sociological prophecy of the Trump political phenomenon—as well as in *Hillbilly Elegy* by J. D. Vance.²

In the same way, when mathematical attainment among the children and grandchildren of professionals and managers is inferior to the mathematical attainment of Chinese children whose parents are
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manual workers, you know that we have a problem in education, too. The work that Raj Chetty has done at Stanford, as well as formerly at Harvard, shows that America has a new exceptionalism: the exceptionalism of failing schools and the exceptionalism of underachievement in education.3

All these things help us understand why the world is catching up. Figure 4 shows the ratio of American per capita GDP to Chinese per capita GDP.

At peak, Americans were twenty-two times richer than the Chinese. That was in the late 1970s, before the Chinese began their economic reforms. Now, Americans are less than five times richer. The “great divergence” that was the big story of economic history in the eighteenth, nineteenth, and twentieth centuries has reversed itself, and we are living through a great re-convergence. Indeed, by one measure, which is gross

Figure 4. The Great Divergence: Ratio of Per Capita GDP, 1820–2010

Source: as for figure 1.
domestic product adjusted for purchasing power parity, China’s aggregate GDP overtook that of the United States some years ago.

We would therefore not be wrong if we concluded that something is wrong, perhaps something is even rotten, in the state of the United States. We would almost certainly be wrong, however, if we concluded that the problem was immigration. Why? Because, as figure 5 shows, immigration has still not returned to the levels it achieved in the late nineteenth century when 14 percent of the population was foreign-born. The late nineteenth century was certainly a time of American overachievement. It is hard to believe that immigration, which was so crucial to the United States in the nineteenth century, has suddenly become toxic to it.

Other people blame inequality for America’s problems. It is certainly true that, if one looks at income distribution before tax, the United

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**Figure 5. Foreign-Born Population as a Percentage of Total US Population, 1850–2014**

States has gone back to roughly where it was in the 1920s. But was the United States failing in the 1920s? On the contrary, it was the most innovative economy in the world. I am therefore skeptical of the argument that somehow inequality is to blame for the problems that I have just described to you.

In *The Great Degeneration*, a book I published in 2013, I made the argument that four things could explain why the United States was no longer performing exceptionally. One, there has been a fundamental breakdown of that contract between the generations that is at the heart of any political system. Two, our economy is increasingly enmeshed in a tangle of regulations. Three, the rule of law, which was once so central to the American system, has degenerated into the rule of lawyers. Four, that civil society based on voluntary associations about which Tocqueville wrote so eloquently has also degenerated.4

In other words, the problems that we see in the United States today—the problems that have generated what the rest of the world sees as a political crisis—are not the results of immigration, or inequality, or globalization, or even technology. The problems that we see, in my view, are the results of institutional decay. The institutions that made the United States exceptional are in a state of disrepair. We should not therefore be surprised by the symptoms of degeneration that we see in our economy, in our society, and indeed in our culture.

For years, my good friend Larry Kotlikoff has been pointing out that our fiscal system constitutes a massive fraud on future generations.5 By estimating the net present value of all the federal government’s income and all the federal government’s expenditures, he works out what would have to be done to achieve generational balance today—in other words, what it would take to equalize the taxes paid and benefits received by this generation relative to future generations. The answer he arrives at is absolutely extraordinary. If such steps had been taken in 2013, all federal taxes would have been increased by 64 percent immediately and permanently, or all government outlays cut by a third. That is how out of kilter
our fiscal system is. As long as we do not address it, the problem keeps getting worse. What this analysis implies, in essence, is that our current fiscal system condemns future generations either to much higher taxes or to much lower entitlements or to some combination of the two.

In previous eras, present generations sacrificed for posterity. My grandfathers fought in the world wars in the belief that they were making the world better for their children and grandchildren. In the postwar era, the baby boomers switched the transfer so that it now goes from posterity to them. The future, in other words, is making a huge sacrifice for the current generation. Edmund Burke brilliantly observed that the true social contract was between the dead, the living, and the unborn. In *The Great Degeneration* I argued that we have spectacularly breached that contract.

Figure 6 contrasts the gross domestic products of the United States, adjusted for inflation, with the size of the Federal Register, which is a compendium of all federal regulations, measured by total pages excluding any blank pages. Clearly, the size of the Federal Register has grown a great deal more rapidly than the size of our economy. Only in one presidency did the federal register shrink since the time of Franklin Roosevelt. Ronald Reagan remains the only president successfully to have reduced regulation since the 1930s.

As laws pile up, the legal system becomes more complicated. The more complicated things like the tax code are, the more subject they are to abuse. The more complicated the system, the more advantage goes to the big players, because they have the compliance departments and they have the lawyers. The same applies to the even larger volume of regulation that pours forth from the agencies of the “administrative state.” The little guy—especially the small business owner—has the odds stacked against him.

Finally, let us consider associational life. In many ways, the Hoover Institution is itself a perfect example of the associational life that made America great. But each year the number of Americans who participate
Figure 6. Number of Pages in Federal Register, Compared with Real GDP


Note: 1936 = 100.

in any kind of association, whether it is charitable, professional, environmental, or political, goes down. Figure 7 compares data from 1995 and 2006. If we had comparable data from a hundred years ago, it would be even clearer that we participate much less than we used to in what Tocqueville identified as the central American activity: doing things as citizens together rather than expecting the government to do them for us.

If Tocqueville were to come to the United States today and wander around the country, if he were to see the centralization of political power that has taken place, if he were to see the increasing complexity of our regulatory system, if he were to see how today’s lawyers and judges behave, if he were to see the decline of associational life that has occurred in this country, then I am afraid he would be forced to conclude that the French at some point after his death had successfully invaded and taken over the United States of America.
If American exceptionalism were a reality in 2016, then the United States would come top of league in tables like the annual survey which the World Economic Forum uses to calculate its economic competitiveness index. Table 1 shows twenty-two measures of institutional quality, ranging from the protection of private property rights to intellectual property rights, limits on corruption, the ethics of politicians, limits on bribery, and the independence of the judiciary. In not one single category does the United States come out on top.

Indeed, in most of these categories, the United States is somewhere in the middle of the pack. Take the cost of crime and violence. On that basis, the United States ranks 86th in the world and 87th when it
<table>
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<tr>
<th>Issue</th>
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<th>Top score</th>
<th>USA score</th>
<th>USA rank</th>
<th>Hong Kong rank</th>
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Table 1: Measures of the Rule of Law in the World Economic Forum’s Annual Competitiveness Survey, 2011–2012

comes to the cost of organized crime. There is only one category where the United States is in the top ten of countries, and that is investor protection. So, where is American exceptionalism today? It is simply not visible in these data.

If you look at the indicators of governmental quality that the World Governance Institute publishes, you will see that in almost every measure—accountability, government effectiveness, regulatory quality, rule of law, control of corruption—the United States' scores have been going down since the 1990s, when this data set began (see figure 8). When you look at these data, you might be convinced that the United States is becoming a Latin American country—except that much of Latin America in the same period has seen improvement.

The right question we have to answer, in the light of all this evidence, is, can we make America exceptional again (as opposed to great again)? Nations can achieve greatness by all kinds of methods. The Russians

![Figure 8. Estimates for Governance Quality, in the United States, 1996–2011](image)

have shown that. The Chinese have shown it, too. Being great is definitely a distinct phenomenon from being good. But being exceptional is a different thing again. Can we make America exceptional again? I believe we can, because I think all the problems that I have described are essentially man-made and therefore fixable.

Public finance is a mess, but it is fixable. The long-range projections of the Congressional Budget Office show that, in terms of public debt as a share of GDP, the United States could well be Japan by midcentury (see figure 9). However, we can fix this in ways that are still within our reach—through tax reform and entitlement reform. If we simplified the tax code and addressed the entitlement imbalances, we could fix the fiscal crisis.

We can also reduce the burden of regulation. Certain sectors of our economy have become punitively regulated, and no president has increased regulation more since World War II than Barack Obama. But
there is no law of nature that requires federal agencies to produce regulation in this way. When it comes to the rule of law, that too can be reformed, especially with the right appointments to the Supreme Court. A new generation of justices could return the courts to the traditions of common law that used to inform judicial decision-making in this country.

Finally, we could improve education in this country simply by funding a lot of new and better schools. We have become trapped in a debate about public school education that simply omits the possibility that we could build better schools outside the public system.

Tocqueville was fundamentally an optimist about the United States. True, he feared that in the end the egalitarianism would get the better of liberty. There is an astonishing passage in *Democracy in America* where he imagines a future in which the central government becomes all-powerful. It is a nightmare vision of totalitarianism, of total individual dependence on government. However, on the whole, Tocqueville felt that such a fate was more likely to befall European democracies than to befall the United States. I share his belief that, at heart, Americans love their liberty too much to allow the exceptional institutions that safeguarded it for so long to be completely undermined.

One reason I moved from Harvard to the Hoover Institution is that this institution’s core mission is to understand the institutions that preserve liberty, safeguard them, and strengthen them. I cannot think of any more important thing that a public intellectual could do in America today. And we are extremely fortunate that this institution exists, because it conspicuously has no counterpart in any other major university.
Notes


