

## THE POWERS AND PROSPECTS OF THE UNITED STATES

**This is our computer generated reading for the United States as of January 2022.**

Based on the latest readings of key indicators, **the United States appears to be a strong power (#1 among major countries today) in gradual decline.** As shown in the table below, the key strengths of the United States that put it in this position are its strong capital markets and financial center, its innovation/technology, its strong military, its high level of education, its reserve currency status, its high economic output, and its wealth of natural resources. Its weaknesses are its unfavorable economic/financial position and its large domestic conflicts. The eight major measures of power are very strong today but are, in aggregate, falling slowly.

The table below shows our aggregate country power gauge and the major drivers, as well as the rank of each measure of power across 24 major countries today and the trajectory over the past twenty years.

To understand a country, we start by looking at **the big cycles**, as well as **measures of power** that both reflect and drive the rise and fall of a country. While we refer to these factors individually, they are not separate; they interact with and reinforce one another to move a country along its cycle.

For the United States, **the big cycles look mostly unfavorable.**

**The United States is in an unfavorable position in its economic and financial cycles**, with a high debt burden and relatively low expected real growth over the next 10 years (1.3% per year). The United States has significantly more foreign debts than foreign assets (net IIP is -68% of GDP). Non-financial debt levels are high (274% of GDP), and government debt levels are high (127% of GDP). The bulk (99%) of these debts are in its own currency, which mitigates its debt risks. The ability to use interest rate cuts to stimulate the economy is low (short rates at 0.1%), and the country is already printing money to monetize debt. That said, being the world's leading reserve currency is a large benefit to the US. If this were to change, it would significantly weaken the US position.

**Internal disorder is a high risk.** Wealth, income, and values gaps are large (relative to countries of similar per capita income levels). Regarding Inequality—the top 1% and top 10% in the United States capture 19% and 45% of income (respectively the 8th and 11th highest share across major countries). Our internal conflict gauge is very high. This gauge measures actual conflict events (i.e., protests), political conflict (i.e., partisanship), and general discontent (based on surveys).

**External disorder is a risk.** Most importantly, the United States and China, which is fast-rising and the #2 power (all things considered), are having significant conflict as measured by our external conflict gauge. One example of this is that 79% of Americans today have an unfavorable view of China (up from 45% in 2018).

**Looking in more detail at the eight key measures of power—the United States has the largest capital markets and the strongest financial center among major countries.** Its equity markets are a majority of the world total (59% of total market cap and 66% of volume), and a majority of global transactions happen in USD (55%). **In addition, the United States has the strongest reading on our measures of technology and innovation among major countries.** A moderately large share (14%) of global patent applications, a large share (27%) of global R&D spending, and a large share (27%) of global researchers are in the United States. **The United**

**States also has the strongest military among major countries.** A large share (40%) of global military spending is by the United States, and it has a moderate share (7%) of the world's military personnel. The United States also has a mix of other strengths, detailed in the table above.

*Note: With this page, I am calling out a few of the major gauges and a few of the stats within each gauge that reflect the broad trends we are seeing. The aggregate gauges and final country power score I am showing include hundreds of individual stats that we aggregate based on relevance, quality, and consistency across countries and time. To best capture the overall strength of a country, I gave considerations to both quantity and quality, but structured things to best capture who would win in a competition or war.*

### UNITED STATES—KEY DRIVERS OF OUR COUNTRY POWER SCORE

Overall Empire Score (0–1)		Level: 0.89	Rank: 1	✖
The Big Cycles	Level	Z-Score	Rank	Trajectory
Economic/Financial Position	Unfavorable	-1.5	23	✖
Debt Burden	High Debt	-1.9	24	✖
Expected Growth	1.3%	-0.6	12	✖
Internal Order	High Risk	-2.0	10	✖
Wealth/Opportunity/Values Gap	Large	-1.8	19	✖
Internal Conflict	Very High	-2.2	10	✖
External Order	At Risk	-1.3	-	✖
<b>Eight Key Measures of Power</b>				
Markets & Financial Center	Very Strong	2.7	1	→
Innovation & Technology	Very Strong	2.1	1	→
Military Strength	Very Strong	2.0	1	✖
Education	Very Strong	2.0	1	✖
Reserve Currency Status	Very Strong	1.9	1	→
Economic Output	Very Strong	1.7	1	→
Trade	Strong	1.1	3	✖
Cost Competitiveness	Average	-0.4	14	→
<b>Additional Measures of Power</b>				
Resource-Allocation Efficiency	Strong	1.4	1	✖
Infrastructure & Investment	Strong	0.7	2	✖
Geology	Strong	1.6	4	→
Character/Determination/Civility	Strong	1.0	6	→
Governance/Rule of Law	Strong	0.7	9	→
Acts of Nature	Average	-0.2	14	-

✔ Getting better   ✖ Getting worse   → Flat

*Note: All ranks shown are out of 24, except in the case of Internal Conflict & Internal Order (out of 10) and Reserve Status (out of 19).*