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## **China or the U.S.: Which Will Be the Last Nation Standing?**

Silly me. Here I had thought that world leaders would want to keep their nations from collapsing. They must be working hard to prevent currency collapse, financial system collapse, food system collapse, social collapse, environmental collapse, and the onset of general, overwhelming misery—right? But no, that's not what the evidence suggests. Increasingly I am forced to conclude that the object of the game that world leaders are actually playing is *not* to avoid collapse; it's simply to postpone it a while so as to be the last nation to go down, so yours can have the chance to pick the others' carcasses before it meets the same fate.

I know, that sounds unbearably cynical. And in fact it may not accurately describe the conscious attitudes of leaders of some smaller nations. But for the U.S. and China, arguably the countries most likely to lead the way for the rest of the world, actions speak louder than words. (Mental health advisory: readers with a low tolerance for bad news should turn back now; there are lots of cheerier articles on the Internet and this might be a good time to find and enjoy one.)

For these two nations, avoiding collapse would require solving a range of enormous problems, of which at least four are non-negotiable: climate change; peak fossil fuels (in effect, stagnating and, soon, declining energy supplies); the inherent instability of growth-based financial systems; and the vulnerability of food systems to factors like fresh water scarcity and soil erosion (in addition to global warming and fuel scarcity). If they fail to address any one of these, societal collapse is inevitable—in a few decades certainly, but perhaps in just the next few years.

So how are our contestants doing? There's not much to report on the climate score—just vague promises for future action. So their apparent strategy in this case is to delay (not to delay the impacts, mind you, but to delay efforts to address the problem).

Likewise, there is little positive action occurring regarding food systems: the assumption appears to be that conventional industrial agriculture—which is responsible for most of the global food system's enormous and growing vulnerabilities—will somehow shoulder the task of feeding seven to nine billion humans. We just need to continue with what we are already doing, but on a larger scale and

using more gene-engineered crop varieties.

Officially, peak energy is not even a concern, so evidently the strategy being adopted here is denial. We'll see how that works out.

How about the financial mess? Here the U.S. and China are in situations so different that a more extended discussion seems justified.

### **China Surges to the Lead!**

The U.S. is in debt up to its eyeballs and has mortgaged the paychecks of every generation approximately until hell freezes over in order to bail out its "too-big-to-fail" banks. In contrast, China has piles of cash (resulting from its enormous trade surpluses) and has bought a mountain of U.S. debt in order to keep its main customer's currency from losing value. It would seem that, in this department, one nation is set to flag while the other is poised to leap into first place as world economic superpower.

And that happens to be the conventional wisdom on the subject. It's not hard to find commentators who say the United States is a has-been for a variety of reasons. In addition to its huge debt burden, the U.S. also suffers from a shrinking manufacturing base, a big trade deficit, eroding quality of education, and a foreign policy that serves the interests of arms manufacturers while undermining the long-term interests of the nation. Regarding the last of these items, a 2006 World Public Opinion poll showed large majorities in four leading ally nations (Egypt, Morocco, Pakistan, and Indonesia), together accounting for a third of the Muslim world's population, believe the U.S. is determined to destroy or undermine Islam. Within those countries, most people surveyed support attacks on American targets. And it just so happens that most of the world's future oil supplies will be coming from Muslim nations. Brilliant.

By contrast, China is enjoying springtime on amphetamines. It now has the biggest car market in the world. And, according to [Stuart Staniford](#) in a recent fact-filled article, "if present trends continue, the Chinese expressway system will likely grow larger than the U.S. interstate highway system within the next couple of years, and Chinese car ownership will exceed U.S. car ownership by somewhere in the neighborhood of 2017." As of 2010 China is the leading producer of hydroelectric and solar power and by 2011 will be the top producer of wind power. China's smart grid investments dwarf those of the U.S. by 200 to one. The Chinese are also investing heavily in nuclear energy. Staniford goes on: "Oversimplifying greatly, it's as though the U.S. borrowed a pile of money from China in order to fight a war to free up oil supply in Iraq in order that China could become the greatest industrial power the world has ever seen."

China's foreign policy consists largely of buying friends by purchasing rights to oil, gas, coal, and other resources (in Canada, Australia, Venezuela, Iraq, Kazakhstan, and throughout Africa), while the U.S. spends money it doesn't have rooting out bad guys and making more enemies in the process.

In an October, 2009 lecture, [George Soros](#) showed refreshing candor

about the seriousness of the continuing global financial crisis: "What differentiated [the recent economic crisis] from the Great Depression is that this time the financial system was not allowed to collapse, but was put on artificial life support. In fact [however], the magnitude of the credit and leverage problem we have today is even greater than the 1930s." Soros then went on to discuss the relative positions of the U.S. and China:

In the short term, all countries were negatively affected. But in the long term, there will be winners and losers. . . . To put it bluntly, the U.S. stands to lose the most, and China is poised to emerge as the greatest winner. . . . China has been the primary beneficiary of globalization, and it has been largely insulated from the financial crisis. For the West, and the U.S. in particular, the crisis was an internally-generated event [that] led to the collapse of the financial system. For China, it was an external shock [that] has hurt exports, but left the financial, political, and economic system unscathed.

### **China Stumbles!**

But remember: without solutions to climate change, peak energy, and the looming food crisis, winning the financial contest is only temporary solace. Consider just the energy conundrum: China may be building nukes and windmills, but there's no way it can maintain 8 percent annual growth for long with flat or declining energy from coal. China and India, between them, are currently planning to build 800 new coal-fired power plants by 2020. Where will the coal come from? Both countries are already experiencing domestic production shortfalls and are starting to import the fuel. But coal-exporting countries will be unable to keep up with their growing combined demand.

Moreover, there is a school of thought that says China's apparently unstoppable economic miracle is a bubble waiting to burst. Beijing's housing market is overheated, like that of Las Vegas circa 2006. Last year, the Chinese economy enjoyed 9 percent GDP growth—on paper. But in order to achieve that goal, the government and banks had to loan out 30 percent of China's GDP (the rate of growth in loans accelerated during the latter part of the year; at year-end rates, banks were on track to loan out an amount equal to the nation's entire GDP in 2010). In any case, much of that growth probably occurred through speculation on real estate and questionable stocks.

Generally, China is at a Wild West stage of economic development: it is a collection of powerful local capitalist power bases unaccountable to anyone, all jockeying to create and inflate assets and credit. While the central government has recently exerted control over the banks, its ability to halt regional Ponzi schemes is still limited.

In January the Chinese banking regulatory commission attempted to rein in lending in order to slow the rapid increase in real estate and stock market values. (On the other hand, during the same month, China's cabinet agreed to permit margin trading and short selling of stocks and to launch a stock futures index.) Significantly, there is evidence that China's central bank's attempts to harmlessly deflate the housing and stock market bubbles may be going badly. The sudden suspension in lending has, according to [Joe Weisenthal in](#)

[\*Business Insider\*](#), "caught importers, along with many other companies, by surprise and could cause turbulence in China's import orders. Letters of credit (LoC) suddenly became unavailable, despite previous agreements. We believe that this will inevitably lead to delays or cancellations in China's imports. Import orders for commodities and machineries could be affected most." Translation: the government was faced with the options of letting a rapidly growing bubble burst, taking the economy down; or deliberately deflating the bubble, risking taking the economy down by another route. The central bank chose the latter, and the risked takedown may be unfolding.

Meanwhile Google and the Obama Administration have been exerting external pressure on China to relax its censorship of electronic communications—moves that some see as reducing the central government's options for controlling both information flow and the economy.

In a recent op-ed, [\*New York Times\* columnist Tom Friedman](#) countered worries about a bursting of the China bubble with a robust display of confidence in Beijing's unstoppable expansionary momentum. Given Friedman's record (remember his columns in 2003 extolling the benefits that would flow to America from an invasion of Iraq?), this alone should be cause to doubt whether the Chinese locomotive can stay on its tracks much longer.

### **What Does It Mean to "Win"?**

In his book *Reinventing Collapse: The Soviet Example and American Prospects*, Dmitry Orlov discusses the "collapse gap" between the United States and the old Soviet Union: the latter, he argues, was in effect much better prepared for economic crisis and the fall of its central government; when the U.S. eventually goes the way of the U.S.S.R., the pain and suffering of its citizens will be much greater. (I can't adequately summarize Orlov's evidence and reasoning here, but they are persuasive; if you haven't read the book, do yourself a favor.)

So: How is the U.S. doing today in terms of collapse preparedness as compared to China?

After six decades of nearly uninterrupted economic growth, Americans have developed unrealistic expectations about the future. They are urbanized consumers whose manufacturing capability has shriveled and whose practical survival skills are in most cases vestigial. The Chinese, in contrast, have less of a steep fall ahead of them. Most still dwell in the countryside, and many who live in the cities are only one generation removed from subsistence agriculture and can still draw on their own, or their parents', practical skills learned during decades of poverty and immersion in a traditional farming culture.

Both nations face fierce political challenges. In the U.S., the central government has reached nearly complete paralysis: it is evidently incapable of solving even relatively minor problems, and confidence in it among the citizenry has largely evaporated. Political leaders have succeeded in polarizing the people geographically with "hot-button"

issues, few of which have anything to do with the factors currently undermining the nation's ability to survive. The Chinese central government appears far more capable of acting decisively and strategically, but it is confronted with nasty facts of geography and history: there is an extreme and growing economic and social division between the wealthy coastal cities and the poor, rural interior; and a demographic schism between those 40 years old or younger who have high economic expectations, and the older generation who grew up under Mao, with an ethic of collectivism and self-sacrifice. The young, especially, have accepted a trade-off between civil freedoms and economic prosperity. If the latter is not delivered, there will be shrill demands for the former. These divisions are so deep and profound that they could tear society apart if expectations are dashed—and the leaders know this.

Thus, in the event of collapse, both nations face the possibility of a breakdown in their political systems, entailing widespread violence (uprisings and crackdowns).

China still maintains a crucial advantage in one key area: its food system. Far more of its citizens still grow food, even taking into account recent trends toward rapid urbanization (in the U.S., full-time farmers make up only about two percent of the population and the average farmer is approaching retirement age). This is not to say that China will have the capacity to feed all its people; it is already moving in the direction of being a major net food importer. Meanwhile, the U.S. remains a significant food exporter. The key difference has to do with the resiliency of the two nations' respective food systems: that of the United States is more centralized, more highly fuel dependent, and therefore probably more vulnerable.

### **The Geopolitics of Collapse**

It's easy to see the advantage of collapse preparedness for the citizenry—with better preparation, more will survive. But does a higher survival rate during and after collapse translate to some sort of geopolitical advantage?

The process of collapse will be determined by many factors, some hard to predict, and so it is difficult to know the size or scope of the political power structure that might re-emerge in either country. It's possible that one nation, or both, could devolve into smaller political units squabbling among themselves and unable to engage much in global jockeying for resources. All new political units emerging within the present territories of China or the U.S. would be immediately beset with enormous practical problems, including poverty, hunger, environmental disasters, and mass migrations.

Presumably some potent weaponry from the age of global warfare would remain intact and usable, so it is possible in principle that one or another of these smaller political entities could assert itself on the world stage as a short-lived, bargain-basement empire of limited geographic scope. But even in that case "winning" the collapse race would be small comfort.

The possibility of armed conflict between the two powers prior to mutual collapse is not to be entirely excluded if, for example, U.S.

efforts to contain Iran's nuclear ambitions were to set off a deadly chain reaction of attacks and counter-attacks possibly involving Israel, with world powers being forced to choose sides; or if the U.S. were to persist in arming Taiwan. But neither the U.S. nor China wants a direct mutual military confrontation, and both nations are highly motivated to avoid one. Thus all-out nuclear war—still the worst-case imaginable scenario for *homo sapiens* and planet Earth—seems thankfully unlikely, though in the few decades ahead the use of some of these weapons, on some occasions, by one nation or another, is probable.

Trade wars are another matter, and we might even see one this year, according to [Michael Pettis at \*Financial Times\*](#), who notes that

. . . trade imbalances are more necessary than ever to justify increased investment in surplus countries [i.e., China], but rising unemployment makes them politically and economically unacceptable in deficit countries [i.e., the U.S.]. Rising savings in the U.S. will collide with stubbornly high savings in China. Unless a long-term solution is jointly worked out immediately, trade conflict will worsen and it will become increasingly hard to reverse offensive policies. Most importantly, if deficit countries demand structural change faster than surplus countries can manage, we will almost certainly finish with a nasty trade dispute that will . . . poison relationships for years.

How likely is the prospect for the last nation standing to be able to, as I put it in the first paragraph above, "pick the carcasses" of its competitors? Such a scenario presupposes that one nation will be able to stay on its feet for at least a few years after others fall. But this may not be possible. Recall the prophetic words of Joseph Tainter in *The Collapse of Complex Societies* (1988):

*"A nation today can no longer unilaterally collapse, for if any national government disintegrates, its population and territory will be absorbed by some other [or bailed out by international agencies]. . . . Collapse, if and when it comes again, will this time be global. No longer can any individual nation collapse."*

When the U.S.S.R. crashed, the U.S. and various multinational corporations were able to sweep in and gobble up some of the treasure left lying around. One example: U.S. nuclear power plants have for many years been using uranium fuel cannibalized from old Soviet missile warheads. Soon, international institutions such as the World Bank and IMF helped organize new financial structures for Russia, Ukraine, Belarus, Lithuania, Estonia, and the other nations born from Soviet political and economic disintegration, so as to limit and reverse the process of social disintegration that had already passed beyond its early stages.

But now the game has changed. A collapse of the U.S. would leave China devastated. Not only would Beijing lose its main customer, but the hundreds of billions of dollars' worth of treasury notes it has accumulated would be rendered worthless. If China were internally stable, such impacts could be absorbed with difficulty. But in light of China's own simmering social and financial predicaments, a U.S. collapse would almost certainly be enough to tip Beijing's economy

into a tailspin, resulting in both social and political crises.

A collapse of China would similarly devastate the U.S. Obviously, the loss of a source of cheap consumer products would discomfit WalMart shoppers, but the shock soon would go much deeper. The Treasury would lose its main foreign buyer of government debt, which means that the Fed would be forced to step in and monetize that debt (in common parlance, "turn on the printing presses"), undermining the dollar's value. The result: a hyperinflationary economic crash. Such a crash is probably inevitable at some point anyway, but a collapse of the Chinese system would hasten and worsen it.

In neither instance would international institutions be capable of preventing substantial social and political fall-out. The last nation standing would not stand for long. We have reached the stage where, as Tainter says, "World civilization will disintegrate as a whole."

### **The Transition Marathon**

Okay, so there is no serious effort on the part of U.S. or Chinese leaders to avoid collapse in the long run (say, over the next 10 to 20 years). Perhaps this is because they have concluded that it is impossible to do so—there are just too many trends leading in the same direction, and actually dealing with any of those trends head-on would entail huge, immediate political risks. In reality, however, it is much more likely that they simply refuse seriously to think about these trends and their implications, because they do have another option—to postpone collapse through deficit spending, bailouts, and more financial bubbles, while enacting their parts in a climate-policy kabuki play and engaging in resource geopolitics. This way blame will at least fall on the next set of leaders. Postponing collapse is itself a big job, enough so as to take all of one's attention away from having to contemplate the awfulness and inevitability of what is being postponed.

Do these short-term efforts in any way reduce the risk of dissolution? Hardly. In fact, the longer the reckoning is delayed, the worse it will be.

What would make more sense than just trying to put off the inevitable is quite simply to build resilience throughout society, re-localizing basic social systems involving food, manufacture, and finance. There is no need to rehearse the existing discourse about this strategy: readers who are not familiar with it can find plenty of useful pointers at [www.transitiontowns.org](http://www.transitiontowns.org), or in the books and articles of authors such as Rob Hopkins, Albert Bates, David Holmgren, Pat Murphy, and Sharon Astyk (and in some of my own writings, including [Museletter #192](#)).

It is understandably hard for national politicians to think along those lines. Building societal resilience means disregarding the dictates of economic efficiency; it means systematically reducing the power of the central government and national/global commercial institutions (banks and corporations). It also means questioning the central dogma of our modern world: the efficacy and possibility of unending economic growth.

So if the best outcome lies in a strategy of resilience and re-localization, and our national leaders can't even contemplate such a strategy, that means those leaders are, in one sense at least, irrelevant to our future.

Some blog readers are so in tune with this line of thinking that they no longer see any point in paying attention to the global scene. They may even think this article is a waste of time (and I expect to get an email or two to that effect). But following world events is more than a matter of infotainment: when and how China and the U.S. come apart at the seams is a question of far greater consequence than that of whether the New Orleans Saints or the Indianapolis Colts will win the Superbowl. The reality is that no nation, and no community will be able to completely protect itself from the sudden, harsh winds that will rush to fill the vacuum left by an implosion of either superpower.

By the way, my apologies to the other 190 or so nations of the world, large and small: my singling out of the U.S. and China for discussion does not signify that other countries are unimportant, or that their destinies will not be as unique as their cultures and geographies; merely that those destinies will probably unfold in the context of a global collapse spreading from the two nations we have been discussing. For any nation—India, Bolivia, Russia, Brazil, South Africa—and for any community or family, survival will require some comprehension of the direction of large events, so as to get out of the way when debris is flying and to anticipate opportunities to regroup.

So: Pay attention to the weather reports from Washington and Beijing, but meanwhile build local resilience wherever you are. If the roof needs mending, don't dawdle.

Meanwhile, after a long day of organizing neighborhood Transition gardens, you may want to get a foretaste of post-collapse America by reading James Howard Kunstler's *A World Made by Hand*; or savor an entertainingly erudite discussion of collapse as an extended process (which it will likely be), rather than as a sudden, all-out event, by reading John Michael Greer's books *The Long Descent* and *The Ecotechnic Future*.

Just because the sky is falling, that doesn't mean it's time to stop thinking.